

TAXATION BOOK

ACCOUNTING PROFESSION OPTION

For Rwandan Schools

Senior

5

Teacher Guide

Experimental Version

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FOREWORD

Dear Teachers,

Rwanda Basic Education Board is honoured to present the teacher's guide for Taxation in the Accounting Profession Option. This book serves as a guide to competence-based teaching and learning to ensure consistency and coherence in the learning of the Taxation Subject. The Rwandan educational philosophy is to ensure that students achieve full potential at every level of education which will prepare them to be well integrated in society and exploit employment opportunities.

Specifically, the curriculum for Accounting Profession Option was reviewed to train quality Accountant Technicians who are qualified, confident and efficient for job opportunities and further studies in Higher Education in different programs under accounting career advancement.

In line with efforts to improve the quality of education, the government of Rwanda emphasizes the importance of aligning teaching and learning materials with the syllabus to facilitate their learning process. Many factors influence what students learn, how well they learn and the competences they acquire. Those factors include the relevance of the specific content, the quality of teachers' pedagogical approaches, the assessment strategies and the instructional materials.

High Quality Technician Accounting program is an important component of Finance and Economic development of the Rwanda Vision 2050, "**The Rwanda We Want**" that aims at transforming the country's socioeconomic status. The qualified Technicians accountant will significantly play a major role in the mentioned socioeconomic transformation journey. Taxation textbooks and teacher's guide were elaborated to provide the legislation related tax system that are necessary to train a Technician Accountant capable of successfully perform his/her duties.

The ambition to develop a knowledge-based society and the growth of regional and global competition in the jobs market has necessitated the shift to a competence-based curriculum.

The Taxation teacher's guide provides active teaching and learning techniques that engage students to develop competences. In view of this, your role as a Taxation teacher is to:

- Plan your lessons and prepare appropriate teaching materials.

- Organize group discussions for students considering the importance of social constructivism suggesting that learning occurs more effectively when the students work collaboratively with more knowledgeable and experienced people.
- Engage students through active learning methods such as inquiry methods, group discussions, research, investigative activities and group or individual work activities.
- Provide supervised opportunities for students to develop different competences by giving tasks which enhance critical thinking, problem solving, research, creativity and innovation, communication and cooperation.
- Support and facilitate the learning process by valuing students' contributions in the class activities.
- Guide students towards the harmonization of their findings.
- Encourage individual, pair and group evaluation of the work done in the classroom and use appropriate competence-based assessment approaches and methods.

To facilitate you in your teaching activities, the content of this book is self-explanatory so that you can easily use it. It is divided in 3 parts:

The part I explains the structure of this book and gives you the methodological guidance;

The part II gives a sample lesson plan;

The part III details the teaching guidance for each concept given in the student book.

Even though this Teacher's guide contains the guidance on solutions for all activities given in the student's book, you are requested to work through each question before judging student's findings.

I wish to sincerely express my appreciation to the people who contributed towards the development of this book, particularly, REB staff, RRA officers, UR Lecturers, Teachers from TTC and General Education and experts from different Education partners for their technical support. A word of gratitude goes also to the administration of Universities, Head Teachers and TTCs principals who availed their staff for various activities.

Dr. MBARUSHIMANA Nelson

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PART I. GENERAL INTRODUCTION

1.1. The structure of the guide

The teacher's guide of Taxation is composed of three parts:

The Part I concerns general introduction that discusses methodological guidance on how best to teach and learn Taxation, developing competences in teaching and learning, addressing cross-cutting issues in teaching and learning and Guidance on assessment.

Part II presents a sample lesson plan. This lesson plan serves to guide the teacher on how to prepare a lesson in Taxation.

The Part III is about the structure of a unit and the structure of a lesson. This includes information related to the different components of the unit and these components are the same for all units. This part provides information and guidelines on how to facilitate students while working on learning activities. More other, all application activities from the textbook have answers in this part.

1.2. Methodological guidance

1.2.1. Developing competences

Since 2015 Rwanda shifted from a knowledge based to a competence-based curriculum for pre-primary, primary, secondary education and recently the curriculum for profession options such as TTC, Associate Nurse and Accounting programs. This called for changing the way of learning by shifting from teacher centred to a student-centred approach. Teachers are not only responsible for knowledge transfer but also for fostering students' learning achievement and creating safe and supportive learning environment. It implies also that students have to demonstrate what they are able to transfer the acquired knowledge, skills, values and attitude to new situations.

The competence-based curriculum employs an approach of teaching and learning based on discrete skills rather than dwelling on only knowledge or the cognitive domain of learning. It focuses on what student can do rather than what student knows. Students develop competences through subject

unit with specific learning objectives broken down into knowledge, skills and attitudes/ values through learning activities.

In addition to the competences related to Taxation, students also develop generic competences which should promote the development of the higher order thinking skills and professional skills in Taxation teaching. Generic competences are developed throughout all units of Taxation as follows:

Generic competences	Ways of developing generic competences
Critical thinking	All activities that require students to calculate, convert, interpret, analyse, compare and contrast, etc. have a common factor of developing critical thinking into students
Creativity and innovation	All activities that require students to plot a graph of a given algebraic data, to organize and interpret statistical data collected and to apply skills in solving problems of production/ finance/ economic have a common character of developing creativity into students
Research and problem solving	All activities that require students to make research and apply their knowledge to solve problems from the real-life situation have a character of developing research and problem solving into students.
Communication	During Taxation class, all activities that require students to discuss either in groups or in the whole class, present findings, debate ...have a common character of developing communication skills into students.
Co-operation, interpersonal relations and life skills	All activities that require students to work in pairs or in groups have character of developing cooperation and life skills among students.

Lifelong learning	All activities that are connected with research have a common character of developing into students a curiosity of applying the knowledge learnt in a range of situations. The purpose of such kind of activities is for enabling students to become life-long students who can adapt to the fast-changing world and the uncertain future by taking initiative to update knowledge and skills with minimum external support.
Professional skills	Specific instructional activities and procedures that a teacher may use in the class room to facilitate, directly or indirectly, students to be engaged in learning activities. These include a range of teaching skills: the skill of questioning, reinforcement, probing, explaining, stimulus variation, introducing a lesson; illustrating with examples, using blackboard, silence and non-verbal cues, using audio – visual aids, recognizing attending behaviour and the skill of achieving closure.

The generic competences help students deepen their understanding of Taxation and apply their knowledge in a range of situations. As students develop generic competences, they also acquire the set of skills that employers look for in their employees, and so the generic competences prepare students for the world of work.

1.2.2. Addressing cross cutting issues

Among the changes brought by the competence-based curriculum is the integration of cross cutting issues as an integral part of the teaching learning process-as they relate to and must be considered within all subjects to be appropriately addressed. The eight cross cutting issues identified in the national curriculum framework are: Comprehensive Sexuality Education, Environment and Sustainability, Financial Education, Genocide studies, Gender, Inclusive Education, Peace and Values Education, and Standardization Culture.

Some cross-cutting issues may seem specific to particular learning areas/ subjects but the teacher need to address all of them whenever an opportunity

arises. In addition, students should always be given an opportunity during the learning process to address these cross-cutting issues both within and out of the classroom.

Below are examples of how crosscutting issues can be addressed:

Cross-Cutting Issue	Ways of addressing cross-cutting issues
<p>Comprehensive Sexuality Education: The primary goal of introducing Comprehensive Sexuality Education program in schools is to equip children, adolescents, and young people with knowledge, skills and values in an age appropriate and culturally gender sensitive manner so as to enable them to make responsible choices about their sexual and social relationships, explain and clarify feelings, values and attitudes, and promote and sustain risk reducing behaviour.</p>	<p>Using different charts and their interpretation, Taxation teacher should lead students to discuss the following situations: “Alcohol abuse and unwanted pregnancies” and advise students on how they can fight against them.</p> <p>Some examples can be given when learning statistics, powers, logarithms and the related graphical interpretation.</p>
<p>Environment and Sustainability: Integration of Environment, Climate Change and Sustainability in the curriculum focuses on and advocates for the need to balance economic growth, society well-being and ecological systems. Students need basic knowledge from the natural sciences, social sciences, and humanities to understand to interpret principles of sustainability.</p>	<p>Using Real life models or students’ experience, Taxation Teachers should lead students to illustrate the situation of “population growth” and discuss its effects on the environment and sustainability.</p>

<p>Financial Education:</p> <p>The integration of Financial Education into the curriculum is aimed at a comprehensive Financial Education program as a precondition for achieving financial inclusion targets and improving the financial capability of Rwandans so that they can make appropriate financial decisions that best fit the circumstances of one's life.</p>	<p>Through different examples and calculations on interest (simple and compound interests), interest rate problems, total revenue functions and total cost functions, supply and demand functions, Taxation Teachers can lead students to discuss how to make appropriate financial decisions.</p>
<p>Gender: At school, gender will be understood as family complementarities, gender roles and responsibilities, the need for gender equality and equity, gender stereotypes, gender sensitivity, etc.</p>	<p>Taxation Teachers should address gender as cross-cutting issue through assigning leading roles in the management of groups to both girls and boys and providing equal opportunity in the lesson participation and avoid any gender stereotype in the whole teaching and learning process.</p>
<p>Inclusive Education: Inclusion is based on the right of all students to a quality and equitable education that meets their basic learning needs and understands the diversity of backgrounds and abilities as a learning opportunity.</p>	<p>Firstly, Taxation Teachers need to identify/recognize students with special needs. Then by using adapted teaching and learning resources while conducting a lesson and setting appropriate tasks to the level of students, they can cater for students with special education needs. They must create opportunity where students can discuss how to cater for students with special educational needs.</p>

<p>Peace and Values Education: Peace and Values Education (PVE) is defined as education that promotes social cohesion, positive values, including pluralism and personal responsibility, empathy, critical thinking and action in order to build a more peaceful society.</p>	<p>Through a given lesson, a teacher should:</p> <p>Set a learning objective which is addressing positive attitudes and values,</p> <p>Encourage students to develop the culture of tolerance during discussion and to be able to instil it in colleagues and cohabitants;</p> <p>Encourage students to respect ideas from others.</p>
<p>Standardization Culture: Standardization Culture in Rwanda will be promoted through formal education and plays a vital role in terms of health improvement, economic growth, industrialization, trade and general welfare of the people through the effective implementation of Standardization, Quality Assurance, Metrology and Testing.</p>	<p>With different word problems related to the effective implementation of Standardization, Quality Assurance, Metrology and Testing, students can be motivated to be aware of health improvement, economic growth, industrialization, trade and general welfare of the people.</p>

1.2.3. Guidance on how to help students with special education needs in classroom

In the classroom, students learn in different way depending to their learning pace, needs or any other special problem they might have. However, the teacher has the responsibility to know how to adopt his/her methodologies and approaches in order to meet the learning need of each student in the classroom. Also, teachers need to understand that student with special needs, need to be taught differently or need some accommodations to enhance the learning environment. This will be done depending to the subject and the nature of the lesson.

In order to create a well-rounded learning atmosphere, teachers need to:

- Remember that students learn in different ways so they have to offer a variety of activities (e.g. role-play, music and singing, word games and quizzes, and outdoor activities);
- Maintain an organized classroom and limits distraction. This will help students with special needs to stay on track during lesson and follow instruction easily;
- Vary the pace of teaching to meet the needs of each student. Some students process information and learn more slowly than others;
- Break down instructions into smaller, manageable tasks. Students with special needs often have difficulty understanding long-winded or several instructions at once. It is better to use simple, concrete sentences in order to facilitate them understand what you are asking.
- Use clear consistent language to explain the meaning (and demonstrate or show pictures) if you introduce new words or concepts;
- Make full use of facial expressions, gestures and body language;
- Pair a student who has a disability with a friend. Let them do things together and learn from each other. Make sure the friend is not over protective and does not do everything for the one with disability. Both students will benefit from this strategy;
- Use multi-sensory strategies. As all students learn in different ways, it is important to make every lesson as multi-sensory as possible. Students with learning disabilities might have difficulty in one area, while they might excel in another. For example, use both visual and auditory cues.
- Below are general strategies related to each main category of disabilities and how to deal with every situation that may arise in the classroom. However, the list is not exhaustive because each student is unique with different needs and that should be handled differently.

Strategy to help students with developmental impairment:

- Use simple words and sentences when giving instructions;
- Use real objects that students can feel and handle. Rather than just working abstractly with pen and paper;
- Break a task down into small steps or learning objectives. The student

should start with an activity that she/he can do already before moving on to something that is more difficult;

- Gradually give the student less help;
- Let the student with disability work in the same group with those without disability.

Strategy to help students with visual impairment:

- Help students to use their other senses (hearing, touch, smell and taste) and carry out activities that will promote their learning and development;
- Use simple, clear and consistent language;
- Use tactile objects to help explain a concept;
- If the student has some sight, ask him/her what he/she can see;
- Make sure the student has a group of friends who are helpful and who allow him/her to be as independent as possible;
- Plan activities so that students work in pairs or groups whenever possible;

Strategy to help students with hearing disabilities or communication difficulties

- Always get the student's attention before you begin to speak;
- Encourage the student to look at your face;
- Use gestures, body language and facial expressions;
- Use pictures and objects as much as possible.
- Keep background noise to a minimum.

Strategies to help students with physical disabilities or mobility difficulties:

- Adapt activities so that students who use wheelchairs or other mobility aids, can participate.
- Ask parents/caregivers to assist with adapting furniture e.g. the height of a table may need to be changed to make it easier for a student to reach it or fit their legs or wheelchair under;
- Encourage peer support when needed;

- Get advice from parents or a health professional about assistive devices if the student has one.

Adaptation of assessment strategies:

At the end of each unit, the teacher is advised to provide additional activities to help students achieve the key unit competence. These assessment activities are for remedial, consolidation and extension designed to cater for the needs of all categories of students; slow, average and gifted students respectively. Therefore, the teacher is expected to do assessment that fits individual students.

Remedial activities	After evaluation, slow students are provided with lower order thinking activities related to the concepts learnt to facilitate them in their learning. These activities can also be given to assist deepening knowledge acquired through the learning activities for slow students.
Consolidation activities	After introduction of any concept, a range number of activities can be provided to all students to enhance/ reinforce learning.
Extended activities	After evaluation, gifted and talented students can be provided with high order thinking activities related to the concepts learnt to make them think deeply and critically. These activities can be assigned to gifted and talented students to keep them working while other students are getting up to required level of knowledge through the learning activity.

1.2.4. Guidance on assessment

Assessment is an integral part of teaching and learning process. The main purpose of assessment is for improvement of learning outcomes. Assessment for learning/ Continuous/ formative assessment intends to improve students' learning and teacher's teaching whereas assessment of learning/summative assessment intends to improve the entire school's performance and education system in general.

Continuous/ formative assessment

It is an on-going process that arises during the teaching and learning process. It includes lesson evaluation and end of sub unit assessment. This formative assessment should play a big role in teaching and learning process. The teacher should encourage individual, pair and group evaluation of the work done in the classroom and uses appropriate competence-based assessment approaches and methods.

Formative assessment is used to:

- Determine the extent to which learning objectives are being achieved and competences are being acquired and to identify which students need remedial interventions, reinforcement as well as extended activities. The application activities are developed in the student
- book and they are designed to be given as remedial, reinforcement, end lesson assessment, homework or assignment
- Motivate students to learn and succeed by encouraging students to read, or learn more, revise, etc.
- Check effectiveness of teaching methods in terms of variety, appropriateness, relevance, or need for new approaches and strategies. Taxation teachers need to consider various aspects of the instructional process including appropriate language levels, meaningful examples, suitable methods and teaching aids/ materials, etc.
- Help students to take control of their own learning.

In teaching Taxation, formative or continuous assessment should compare performance against instructional objectives. Formative assessment should measure the student's ability with respect to a criterion or standard. For this reason, it is used to determine what students can do, rather than how much they know.

Summative assessment

The assessment can serve as summative and informative depending to its purpose. The end unit assessment will be considered summative when it is done at end of unit and want to start a new one.

It will be formative assessment, when it is done in order to give information on the progress of students and from there decide what adjustments need to be done.

The assessment done at the end of the term, end of year, is considered as summative assessment so that the teacher, school and parents are informed of the achievement of educational objective and think of improvement strategies. There is also end of level/ cycle assessment in form of national examinations.

When carrying out assessment?

Assessment should be clearly visible in lesson, unit, term and yearly plans.

- Before learning (diagnostic): At the beginning of a new unit or a section of work; assessment can be organized to find out what students already know / can do, and to check whether the students are at the same level.
- During learning (formative/continuous): When students appear to be having difficulty with some of the work, by using on-going assessment (continuous). The assessment aims at giving students support and feedback.
- After learning (summative): At the end of a section of work or a learning unit, the Taxation Teacher has to assess after the learning. This is also known as Assessment of Learning to establish and record overall progress of students towards full achievement. Summative assessment in Rwandan schools mainly takes the form of written tests at the end of a learning unit or end of the month, and examinations at the end of a term, school year or cycle.

Instruments used in assessment.

- **Observation:** This is where the Taxation teacher gathers information by watching students interacting, conversing, working, playing, etc. A teacher can use observations to collect data on behaviours that are difficult to assess by other methods such as attitudes, values, and generic competences and intellectual skills. It is very important because it is used before the lesson begins and throughout the lesson since the teacher has to continue observing each and every activity.
- **Questioning**
 - a) Oral questioning: a process which requires a student to respond verbally to questions
 - b) Class activities/ exercise: tasks that are given during the learning/ teaching process
 - c) Short and informal questions usually asked during a lesson

- d) Homework and assignments: tasks assigned to students by their teachers to be completed outside of class.

Homework assignments, portfolio, project work, interview, debate, science fair, Taxation projects and Taxation competitions are also the different forms/instruments of assessment.

1.2.5. Teaching methods and techniques that promote active learning

The different learning styles for students can be catered for, if the teacher uses active learning whereby students are really engaged in the learning process.

The main teaching methods used in Taxation are the following:

- **Dogmatic method** (the teacher tells the students what to do, what to observe, how to attempt, how to conclude)
- **Inductive-deductive method:** Inductive method is to move from specific examples to generalization and deductive method is to move from generalization to specific examples.
- **Analytic-synthetic method:** Analytic method proceeds from unknown to known, 'Analysis' means 'breaking up' of the problem in hand so that it ultimately gets connected with something obvious or already known. Synthetic method is the opposite of the analytic method. Here one proceeds from known to unknown.
- **Skills lab method:** Skills lab method is based on the maxim "learning by doing." It is a procedure for stimulating the activities of the students and to encourage them to make discoveries through practical activities.
- **Problem solving method, Project method and Seminar Method.**

The following are some active techniques to be used in Taxation:

- Group work
- Research
- Probing questions
- Practical activities (drawing, plotting, interpreting graphs)
- Modelling
- Brainstorming
- Quiz Technique

- Discussion Technique
- Scenario building Technique

What is Active learning?

Active learning is a pedagogical approach that engages students in doing things and thinking about the things they are doing. Students play the key role in the active learning process. They are not empty vessels to fill but people with ideas, capacity and skills to build on for effective learning. Thus, in active learning, students are encouraged to bring their own experience and knowledge into the learning process.

The role of the teacher in active learning	The role of students in active learning
<ul style="list-style-type: none"> – The teacher engages students through active learning methods such as inquiry methods, group discussions, research, investigative activities, group and individual work activities. – He/she encourages individual, peer and group evaluation of the work done in the classroom and uses appropriate competence-based assessment approaches and methods. – He provides supervised opportunities for students to develop different competences by giving tasks which enhance critical thinking, problem solving, research, creativity and innovation, communication and cooperation. – Teacher supports and facilitates the learning process by valuing students' contributions in the class activities. 	<ul style="list-style-type: none"> – A student engaged in active learning: – Communicates and shares relevant information with fellow students through presentations, discussions, group work and other student-centred activities (role play, case studies, project work, research and investigation); – Actively participates and takes responsibility for his/her own learning; – Develops knowledge and skills in active ways; – Carries out research/investigation by consulting print/online documents and resourceful people, and presents their findings; – Ensures the effective contribution of each group member in assigned tasks through clear explanation and arguments, critical thinking, responsibility and confidence in public speaking – Draws conclusions based on the findings from the learning activities.

Main steps for a lesson in active learning approach

All the principles and characteristics of the active learning process highlighted above are reflected in steps of a lesson as displayed below. Generally, the lesson is divided into three main parts whereby each one is divided into smaller steps to make sure that students are involved in the learning process. Below are those main part and their small steps:

1) Introduction

Introduction is a part where the teacher makes connection between the current and previous lesson through appropriate technique. The teacher opens short discussions to encourage students to think about the previous learning experience and connect it with the current instructional objective. The teacher reviews the prior knowledge, skills and attitudes which have a link with the new concepts to create good foundation and logical sequencings.

2) Development of the new lesson

The development of a lesson that introduces a new concept will go through the following small steps: discovery activities, presentation of students' findings, exploitation, synthesis/summary and exercises/application activities.

❖ Discovery activity

Step 1:

- The teacher discusses convincingly with students to take responsibility of their learning
- He/she distributes the task/activity and gives instructions related to the tasks (working in groups, pairs, or individual to prompt /instigate collaborative learning, to discover knowledge to be learned)

Step 2:

- The teacher let students work collaboratively on the task;
- During this period the teacher refrains to intervene directly on the knowledge;
- He/she then monitors how the students are progressing towards the knowledge to be learned and boosts those who are still behind (but without communicating to them the knowledge).

❖ **Presentation of students' findings/productions**

- In this part, the teacher invites representatives of groups to present their productions/findings.
- After three/four or an acceptable number of presentations, the teacher decides to engage the class into exploitation of students' productions.

❖ **Exploitation of students' findings/ productions**

- The teacher asks students to evaluate the productions: which ones are correct, incomplete or false
- Then the teacher judges the logic of the students' products, corrects those which are false, completes those which are incomplete, and confirms those which are correct.

❖ **Institutionalization or harmonization (summary/conclusion/ and examples)**

- The teacher summarizes the learned knowledge and gives examples which illustrate the learned content.

❖ **Application activities**

- Exercises of applying processes and products/objects related to learned unit/sub-unit
- Exercises in real life contexts
- Teacher guides students to make the connection of what they learnt to real life situations.
- At this level, the role of teacher is to monitor the fixation of process and product/object being learned.

3) Assessment

In this step the teacher asks some questions to assess achievement of instructional objective. During assessment activity, students work individually on the task/activity. The teacher avoids intervening directly. In fact, results from this assessment inform the teacher on next steps for the whole class and individuals. In some cases, the teacher can end with a homework/ assignment. Doing this will allow students to relay their understanding on the concepts covered that day. Teacher leads them not to wait until the last minute for doing the homework as this often results in an incomplete homework set and/or an incomplete understanding of the concept.

PART II: SAMPLE LESSON PLANS

Term	Date	Subject	Class	Unit N°	Lesson N°	Duration	Class size
1	28 /09/ 2023	Taxation	Year 5	5	7 of 11	40 Min	35
Type of Special Educational Needs to be catered for in this lesson and number of learners in each category				Three students with visual impairment			
Unit title	Value added tax (VAT)						
Key Unit Competence:	Compute VAT and file returns in a timely manner						
Title of the lesson	Input and output VAT						
Instructional Objective	Given a written scenario of businesses, student will be able to Explain and compute the input and output VAT according to the businesses. The teacher will read for the students with visual impairment and allow them to answer verbally or use Braille documents.						
Plan for this Class (location: in / outside)	Inside the classroom in a U shape arrangement or outside the classroom						
Learning Materials (for all learners)	The learning material will depend on what is available (example: scenario, field visit, etc.)						
References	Taxation year 5						
Timing for each step	Description of teaching and learning activity					Generic competences and cross cutting issues to be addressed + a short explanation	
	Think-pair-share; small group discussion on Explain and compute the input and output VAT in the country, gallery walk, and content harmonization from different group presentations						
	Teacher activities	Learner activities					
1. Introduction minutes	Revision on the previous lesson on the Registration laws related on VAT Explain the meaning of Registration laws related on VAT		Answer the questions on the Registration laws related on VAT Correct homework with the teacher			Communication: Through answering questions and peer discussion.	

	<p>Handle any homework or assignments,</p> <p>Ensure a conducive learning environment.</p> <p>Show learners the relationship between the previous lesson and new lesson</p> <p>Guide students to discover the lesson of the day.</p> <p>Share the objectives of the lesson with the learners</p> <p>Ask students to show the link between learning objective and Key unit competence</p>	<p>Discover the title of today's lesson:</p> <p>Input and output vat</p>	
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2. Development of the lesson : 105min

<p>a) Discovery activity</p> <p>35 Minutes</p>	<p>Ask student to play Water Melon Game: Put students into groups & have them sit together.</p> <p>Ask student to look in student book year 5 taxation unit 5.</p> <p>This activity will be done first individually, shared in pairs then in a big group according to students sitting arrangement</p> <p>Tell students that this activity will be done in 35 minutes and the presentation will be done using gallery work.</p>	<p>Listen carefully to instructions</p> <p>Forming groups:</p> <ul style="list-style-type: none"> - Students arrange themselves in teams and sit together. - Work individually or in pairs to explain and compute input and output vat practiced in the country. 	<p>Cooperation, interpersonal management and life</p> <p>Skills: Students share ideas in pairs and in groups.</p> <p>Critical thinking:</p> <ul style="list-style-type: none"> - Student analyse situation of business in their community and come up with taxes can be paid by the businesses.
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	<p>Teacher moves around in groups to guide them as they attempt to answer the questions.</p> <p>The teacher pays a special attention to students with disabilities</p>	<ul style="list-style-type: none"> - In their groups, they share and agree on the explain and compute input and output vat practiced in the country 	<p>Communication:</p> <ul style="list-style-type: none"> - Students discuss in groups and answer questions. <p>Research and problem solving:</p> <p>Through discussion and research, students explain and compute input and output vat practiced in the country</p> <p>Peace and values education:</p> <p>Trough games and group discussions, students socialize and develop some values like sharing, honesty, cooperation, respect, team work, etc.</p>
<p>b)Presentation and exploitation of learner’s productions</p> <p>40 Minutes</p>	<ul style="list-style-type: none"> - Invite the student to hang their work on the Present Boards. - Allow students to do gallery work 	<p>Groups present about explain and compute input and output vat practiced in the country</p> <ul style="list-style-type: none"> - Each team hangs its answers on Present Board. - Each team moves around to read presentations of other teams while taking notes and asking for clarification where they do not understand. 	

	<ul style="list-style-type: none"> - To ask other groups if they agree on what other groups have presented and comment on each presentation. - Invite the representative of each group to come, explain and compute input and output vat practiced in the country. 	<ul style="list-style-type: none"> - Harmonize their findings and come up with explain and compute input and output vat practiced in the country. 	<p>Inclusive Education:</p> <p>Taking into account students with visual impairment during gallery walk and also read for them.</p> <p>Communication:</p> <ul style="list-style-type: none"> - Student discusses and communicates verbally while presenting their work and commenting on other groups work. <p>Critical thinking:</p> <ul style="list-style-type: none"> - Learners use critical thinking in answering questions.
<p>c) Summary/ conclusion</p> <p>10 Minutes</p>	<ul style="list-style-type: none"> - Help the students to come up with a summary on input and output vat practiced in the country. - Read the summary loudly for the two students with visual impairment to allow them to take notes. 	<p>Input and output vat:</p> <p>Input VAT:</p> <p>In general, input VAT is the VAT on purchases</p> <p>Purchases of goods and services include the value of all goods and services purchased during the accounting period for resale or consumption in the production process.</p> <p>Output VAT:</p> <p>Output VAT is the VAT on the sales</p>	<p>Inclusive Education:</p> <p>Taking into account of students with visual impairment by reading for them note written onboard and giving more time to take note.</p>

<p>3. Assessment</p> <p>20 Minutes</p>	<p>Q1. ABC business is registered as VAT taxpayer. It sells today 800,000Rwf of taxable goods (VAT inclusive)</p> <p>Calculate the VAT output for this business</p> <p>Q2. EVA's purchases on credit from EDWIN 50 Kg of flours at FRW 500/Kg VAT excluded.</p> <ul style="list-style-type: none"> - 100Kg of rice at FRW 600 with VAT excluded. - AKANDI 24 cartons each one contains 12 bottles at FRW 300 with VAT included. <p>Fill invoice by showing VAT for each product and total invoice to be paid</p> <p>Q3. A company is registered for VAT. During a period, they have sales of FRW 7,080,000 including VAT at 18% and purchases of FRW1, 100,000 excluding VAT. What is the VAT payable by the company at the end of the period?</p>	<p>Expected Answers:</p> <p>Q1.</p> $\text{VAT} = \frac{18}{118} * \text{FRW } 800,000$ $= \text{FRW } 122,034$ <p>Q2.</p> <table border="1" data-bbox="672 516 1027 681"> <tr> <td>Flour</td> <td>29,500</td> </tr> <tr> <td>Rice</td> <td>70,800</td> </tr> <tr> <td>Akandi</td> <td>86,400</td> </tr> <tr> <td>TOTAL</td> <td>186,700</td> </tr> </table> <p>Q3. Output VAT = $\frac{7,080,000 * 18}{118}$</p> $= \text{FRW } 1,080,000$ <p>Input VAT = $\frac{1,100,000 * 18}{100}$</p> $= \text{FRW } 198,000$ <p>VAT payable = 1,080,000 - 198,000 = FRW 882,000</p>	Flour	29,500	Rice	70,800	Akandi	86,400	TOTAL	186,700	<p>Critical thinking:</p> <p>Students develop critical thinking and reasoning skills while answering questions from other groups.</p> <p>Research and problem solving</p> <p>Imagination and application of this lesson to real business world.</p>
Flour	29,500										
Rice	70,800										
Akandi	86,400										
TOTAL	186,700										
<p>Teacher self-evaluation</p>	<p>For example:</p> <p>3 students need remedial activities (they are given)</p>										

PART III: UNIT DEVELOPMENT

1.1. Key unit competence : To be able to apply and compute the taxation of corporate income tax (CIT)

1.2. Prerequisites (knowledge, skills, attitudes, and values)

In addition to Unit 6 on Taxation of Individual Business Profits covered in S4, where they were introduced to the meaning of business profit, students were introduced to taxes in Rwanda in senior 2 (unit 5) and in senior 3 (unit 5) introduced compute the taxation of corporate income tax (CIT). This prior knowledge, skill or competency should help students to calculate the corporate income tax (CIT) related to the company's operations and to file the appropriate declaration.

1.3. Cross-cutting issues to be addressed:

- **Inclusive education:** Encourage the participation of all students during the teaching and learning process
- **Peace and value education:** During group activities, the teacher encourages students to respect their peers' opinions
- **Gender education:** From the beginning to the end of class, provide all students with equal opportunities for girls and boys to participate actively in class.
- **Financial education:** Remind students to be financially competent so they can understand and use effectively various financial skills including personal financial management, budgeting, and investing. Know how to manage your money and save responsibly.

1.4. Guidance on the introductory activity 1

- Lead small groups of students to work on introductory activity 1.
- During the class discussion, have the students think about different possible solutions for taxes returns and justify their phases in front of the whole class
- The teacher should visit all groups and offer assistance as needed.
- After a set amount of time, ask the students to present and harmonize their findings.
- Explain to students that based on the sentences they are looking at, they may get different responses for the given task. Make an effort to pique students' interest in the first unit's material.
- Ask students to do the application activity 1.1 and evaluate whether lesson objectives were achieved to assess their competences.

Answers for introductory activity 1

- On client one; KIGALI CITY, because it is government entity it is exempted to pay corporate income tax, but in case it does a business i.e., doing an activity that generate the profit, it is supposed to pay tax based on its size.
- On Rweru Ltd, because it is a company that doing business and has provided its financial statement, John has to assess its financial statement prepared and evaluate whether all the expenses included are allowed for tax purpose, see whether all expenses supposed to be included were recorded and see also if the income included are allowed and no income included but which are not taxed. So, after assessing all these, John has to adjust the reported profit and computed the tax to be paid by Rweru Ltd.
- On Rubengera Company Ltd, John has to advice based on the implication of tax law in case a company acquired 65% or more of a company in exchange of shares in the purchasing company:
 - 1) The transfer of assets by a company during restructuring is exempt from corporate income tax.
 - 2) In case of restructuring of companies, the transferring company is exempt from tax in respect of capital gains and losses realized on restructuring. The receiving company values the assets and liabilities involved at their book value in the hands of the transferring company

at the time of restructuring. The receiving company depreciates the business assets according to the rules that would have applied to the transferring company as if the restructuring did not take place.

- 3) In case of restructuring, the receiving company is entitled to carry over the reserves and provisions created by the transferring company, subject to the conditions that would have applied to the transferring company as if the restructuring did not take place. The receiving company assumes the rights and obligations of the transferring company in respect of such reserves and provisions.
 - On XYZ Ltd, John has advice that in case a company made a loss, income tax law grant to deduct that loss from the business profit in the next five (5) tax periods, earlier losses being deducted before later losses. However, XYZ Ltd may apply to the tax administration to be allowed to carry forward the loss for more than five (5) tax periods if it fulfils the requirements based on a Ministerial Order determines the requirements to carry forward the loss for more than five (5) tax periods. This can be done in case the loss not full deducted with the five years.

All the above advice, John has to base on the Relevant legislation and guidance governing the taxes in Rwanda including, income tax law, VAT law, Tax procedure law.

1.5. List of lessons and lesson development

Headings	#	Lesson title/ sub-headings	Learning objectives	Number of periods
Relevant legislation, Chargeable and exempt entities		Introductory activity	Arouse the curiosity of students on the content of unit 1.	1
	1	Relevant legislation	Explain the relevant legislation and guidance	1
	2	Chargeable and exempt entities	List chargeable and exempt entities according to the income tax law	2

1.2 Income tax	1	The income tax regimes	Identify taxable trading profits for companies	3
	2	Taxable income	Demonstrate the computation of taxable income for companies	4
	3	Taxable trading profits	Apply the adjustments for taxable business profits	4
1.3 Other income for companies	1	Taxable income	List other income of companies from different activities	1
	2	Investment income	Apply the investment income in calculation of company's taxable income	3
	3	Rental income	Apply the rental income in calculation of company's taxable income	3
1.4 Total taxable income for companies	1	Calculation of total taxable income for companies	Construct a company's corporate income tax calculation	4
1.5 Corporate restructuring and tax on liquidation	1	Definition of restructuring	Explain the meaning of restructuring	1
	2	Implications of restructuring	Apply the principles of restructuring in corporate income tax	1

	3	Implications of liquidation	Apply the principles of liquidation in corporate income tax	1
	4	Impact on losses	Explain the impact of restructuring on company's share capital	1
1.6 Business loss reliefs	1	When does a business loss arise?	Explain when the company incurs a loss	1
	2	What can be done with a business loss?	Explain what can be done when with a business loss.	1
1.7 End unit assessment				3

Lesson 1: Relevant legislation, Chargeable and exempt entities

- a) Learning objective:** Explain the relevant legislation and list chargeable and exempt entities according to the income tax law
- b) Teaching resources:** Printed or soft income tax law N° 027/2022 of 20/10/2022, RRA tax handbook (2019), calculators, students' book, and other reference textbooks to facilitate research.
- c) Prerequisites/Revision/Introduction:** Students will perform well in this unit if they have learned well the content of units 4, 5 and unit 6 of Taxation in senior 4.
- d) Learning activities
- Invite students to sit in small groups;
 - Invite students to work in groups and do activity 1.1 from in their student book;
 - Move around the class to facilitate when needed and bring more clarity to any challenges they may encounter during their work;
 - Identify groups with different work steps.
 - Invite each group with different activities to present their answers in a class discussion;

- As a teacher, harmonize the learnings from the students' presentation and ask them to provide other real-life examples of problems involving the use of company profits
- Guide them to explore examples from the student book

Answers for Activity 1.1

On the photo, there are people in the meeting, but as the word parliament, law photo and commissioner of Revenue authority is shown here, this means that the meeting is discussing on the matter regarding laws governing the taxes.

a) Answers for the application activity 1.1.

Answer 1

The correct answer is D

Because no entity is exempted from income tax, A is not correct because ETS is an importation company in the business hence not exempted, B is not correct because Navigation Company is a HR service provider Company, hence not exempted from income tax, C is not correct because Gasabo District conference hall is a separate business with a unique TIN and hence not exempted from income tax.

Answer 2

	Taxable	Exempt
Jali Ltd, a Rwandan registered company	√	
National Bank of Rwanda		√
Moriah Ltd, a company registered in Kenya which operates a permanent establishment in Kigali	√	
The United Nations Economic Commission for Africa (UNECA), an inter-governmental organization which has exemption under an international agreement		√
Nile Ltd, an Ethiopian company which is managed in Rwanda	√	

Lesson 2: Income tax

a) Learning objectives:

- Identify taxable trading profits for companies
- Demonstrate the computation of taxable income for companies
- Apply the adjustments for taxable business profits

b) Teaching resources: Printed or soft Income Tax Law N°. 027/2022 of 20/10/2022, RRA Tax Guide (2019), calculator, student book and other reference books to facilitate research.

c) Prerequisites/Revision/Introduction: Students will perform well in this unit if they have learned well the content of unit 6 in the subject of Taxation found in senior 4.

d) Learning activities

- Individually, invite students to work on the activity 1.2 from the S5 Taxation student's book;
- Move around for facilitating students where necessary and give more clarification on eventual challenges they may face during their work;
- Invite students to share their results to their neighbours
- Individually, invite students to share their findings to the whole class
- As a teacher, harmonize the findings from presentations and use different probing questions to help students to explore examples and the content given in the student's book to enhance skills on taxable income and taxable trading profits.
- Invite students individually to comment on the general conclusion from findings
- Ask students to do the application activity 1.2 and evaluate whether lesson objectives were achieved to assess their competences.

Answers for Activity 1.2

- First year and second year, Muhire is supposed to pay income tax under flat regime. This means that in year 1, he is supposed to pay FRW 120,000 while in year 2 he is supposed to pay FRW 210,000.
- For the third year, he is supposed to pay income tax under the turnover regime. This means that he is supposed to pay at turnover rate of 3% = $FRW 15,000,000 \times 3\% = FRW 450,000$.

- For the income received in the year ended 31st December 2021, he is supposed to pay income tax under the real regime. For this regime, the taxpayer is supposed pay 30% of taxable income. The taxable income is obtained after taking the total revenue minus the allowable expenses. This means that all expenses incurred by Muhire are not allowed to be deducted as expenses for tax purpose. For example, personal expenses are not allowed to be deducted in total revenue Muhire generated, because personal expenses are not for business. So, the income tax due to Muhire is equal to $30\% * (\text{FRW } 50,000,000 - \text{FRW } (30,000,000 - 20,000,000)) = 30\% * (\text{FRW } 50,000,000 - \text{FRW } 10,000,000) = 30\% * \text{FRW } 40,000,000 = \text{FRW } 12,000,000$.

e) Answers for the application activity 1.2

Item	Do nothing	Add back	Deduct
Depreciation of FRW 22,000,000		√	
FRW 8,000,000 of agricultural income			√
Dividends paid of FRW 12,000,000 which have been deducted from the profit figure		√	
FRW 2,000,000 of client entertaining		√	
FRW 5,000,000 of rental income			√
Tax depreciation of FRW 20,000,000			√
FRW 20,000,000 of staff salaries	√		

Lesson 3: Other income for companies

- a) Learning objective:** Apply the investment and rental income in calculation of company's taxable income
- b) Teaching resources:** Printed or soft Income Tax Law N° 027/2022 of 20/10/2022, RRA Tax Guide (2019), calculator, student book and other reference books to facilitate research.
- c) Prerequisites/Revision/Introduction:** Students learn this lesson better if they have a good basic knowledge of mathematical calculations.
- d) Learning activities**
- Organize students into small groups;
 - Invite students to work on the questions for activity 1.3 in small groups.

- Walk around to help and guide students who are having difficulty with their assignment.
- Invite each group to share their answers with another group, and encourage each another when they have greater difficulty completing this activity 1.3
- During a class discussion, ask the group leader to present their findings to the whole class.
- As a teacher, harmonize the students' different responses to Activity 1.3
- Have students review application activity 1.3 and assess whether the objectives of the lesson have been met.

Answers for Activity 1.3

Once Muhanga Enterprise Ltd's management implemented the resolutions of the board meeting, on the first investment proposing, there will be a dividend income, on second one, there will be an interest income and for the third one, there will be a rental income.

e) Answers for the application activity 1.3

Solution 1

Investment income

	FRW
Interest income ($\text{FRW } 680,000 * \frac{100}{85}$)	800,000
Royalty income ($\text{FRW } 595,000 * \frac{100}{85}$)	700,000
Less expenses of managing the investments	(50,000)
Investment income	1,450,000

Solution 2

Rental income

A. FRW 134,000

	FRW
Rental income ($\text{FRW } 20,000 * 12$)	240,000
10% wear and tear expense ($10\% * \text{FRW } 240,000$)	(24,000)
Interest paid on loan to purchase ($\text{FRW } 800,000 * 4\%$)	(32,000)
Depreciation expense ($5\% * \text{FRW } 1,000,000$)	(50,000)
Rental income	134,000

Lesson 4: Total taxable income for companies

a) Learning objective: Construct a company's corporate income tax calculation

b) Teaching resources: Printed or soft Income Tax Law N° 027/2022 of 20/10/2022, RRA Tax Guide (2019), calculator, student book and other reference books to facilitate research.

c) Prerequisites/Revision/Introduction: Students will perform well in this unit if they have a good command of the content of the previous lesson and also have a good basic knowledge of mathematical calculations.

d) Learning activities

- Invite students to work in groups on Activity 1.4 found in their student book;
- Move around the class to moderate if necessary and provide further explanation of any challenges they may encounter during their work
- Invite members from each group to give a presentation of their results/calculations;
- As a teacher, bring together the results of the presentation and lead them through an explanation of what taxable income is for businesses.
- Use a variety of probing questions to guide them through the topic and examples in the student book;
- Afterward, help students complete application activity 1.4 and determine if the learning objectives have been met.

Answers for Activity 1.4

Even if Muhire is Managing Director and founder of Urumuri Ltd but under the law Muhire is far separate with Umururi Ltd. This means that the income or expenses related to Muhire or his relatives should not be included in the income or expenses of Urumuri Ltd. Hence, the total taxable income of Urumuri Ltd for the year ended 31st December 2022 is computed as follows:

Details	Amount in FRW
Net profit reported	13,100,000
Add expenses deducted but not related to business	
School fees for Muhire's daughter	2,000,000
Purchase of home foods and Services	8,000,000
Total adjusted profit	23,100,000
Less income included but not related to business	
Muhire's Salary	(5,000,000)
Muhire wife's Salary	(3,500,000)
Total taxable income	14,600,000

e) Answers for the application activity 1.4

Total taxable profits

	Working	FRW'000
Adjusted trade profits	1	181,500
Less tax depreciation	2	(40,000)
Interest income		5,000
Rental income	3	36,000
Total taxable profits		<u>182,500</u>

Workings

1	Adjusted trade profits	FRW'000
	Profit per accounts	162,500
	Plus disallowed expenses :	
	Depreciation	60,000
	Bad debts	0
	General provision	2,500
	Wages and Salaries	0
	Legal and professional fees - fine	1,500
	Interest payable	0
	Less non-trading income :	
	Rental income	(40,000)
	Interest	(5,000)
	Adjusted profit before tax depreciation	<u>181,500</u>

2	<i>Tax depreciation</i>	FRW'000
	Buildings : 5% straight line = 5% * 500,000,000	25,000
	Other assets pool : 25% * 60,000,000	15,000
	Total tax depreciation	40,000
3	<i>Rental income</i>	FRW'000
	Rental income	40,000
	Wear and tear (10%)	(4,000)
	Taxable amount	36,000

Note. Tax depreciation is reflected in the amount calculated in Working 2.

Lesson 5: Corporate restructuring and tax on liquidation

- a) Learning objective:** Apply the principles of restructuring and liquidation in corporate income tax
- b) Teaching resources:** Printed or soft Income Tax Law N° 027/2022 of 20/10/2022, RRA Tax Guide (2019), calculator, student book and other reference books to facilitate research.
- c) Prerequisites/Revision/Introduction:** Students will do well in this lesson if they have a solid understanding of the content of business profits computation.
- d) Learning activities**
- Invite students individually to work on the activity 1.5 from the S5 Taxation student's book;
 - Move around to support and guide students with difficulties in their work where needed and provide further explanation of any challenges they may encounter during their work.
 - Invite students to share their finding with their neighbours
 - Invite students individually to share their findings with the whole class
 - As a teacher, harmonize results from presentations and use various probing questions to help students explore examples and student book content to improve knowledge of taxable income and taxable trading profits.
 - Invite students individually to comment on the general conclusion drawn from the results

- Ask students to complete the application activity 1.5 and assess whether the lesson objectives have been met to assess their competencies.

Answers for Activity 1.5

1. Karangazi Ltd is doing the restructuring of their business activities
2.
 - The appointee should recommend that the transfer of assets by a company during restructuring is exempt from corporate income tax.
 - In case of restructuring of companies, the transferring company is exempt from tax in respect of capital gains and losses realized on restructuring. This means that if Kiramuruzi bought Karangazi assets at high value than the net book value, the capital gain raised from that transaction is exempt and vice versa.
 - Kiramuruzi Ltd should value the assets and liabilities involved at their book value in the hands of the transferring company at the time of restructuring and them according to the rules that would have applied by Karangazi Ltd as if the restructuring did not take place.

e) Answers for the application activity 1.5

- C. The building will be transferred at its written down value of FRW 28,000,000 and Gakire Plc will claim 5% tax depreciation on the original cost of FRW 40,000,000.

Assets are acquired at their book values (in this case FRW 28,000,000). However, tax depreciation is claimed by the receiving company (Gakire Plc) as if the transfer never occurred – so the depreciation allowable will be $5\% * \text{FRW } 40,000,000$ per annum

Lesson 6: Business loss reliefs

a) Learning objective: Explain when a company suffers a loss and what to do

b) Teaching resources: Printed or soft Income Tax Law N° 027/2022 of 20/10/2022, RRA Tax Guide (2019), calculator, student book and other reference books to facilitate research.

c) Prerequisites/Revision/Introduction: Students will perform well in this unit if they have learned well the content related to the calculation of accounting profit or loss adjusted for tax purposes.

d) Learning activities

- Invite students individually to work on the activity 1.6 from the S5 Taxation student's book;
- Move around to support and guide students with difficulties in their work where needed and provide further explanation of any challenges they may encounter during their work.
- Invite students to share their finding with their neighbours
- Invite students individually to share their findings with the whole class
- As a teacher, harmonize results from presentations and use various probing questions to help students explore examples and student book content to improve knowledge of taxable income and taxable trading profits.
- Invite students individually to comment on the general conclusion drawn from the results
- Ask students to complete the application activity 1.6 and assess whether the lesson objectives have been met to assess their competencies.

Answers for Activity 1.6

The company should file its tax return and declare FRW 0, for the subsequent years it has to deduct loss in the next five years.

e) Answers for the application activity 1.6

Year ended 31 st December 2021	FRW
Taxable trading profits	120,000,000
Investment income	2,500,000
Rental income	5,000,000
Less loss carried forward	<u>(80,000,000)</u>
Taxable income	47,500,000

Skills lab 1

Guidance on the skills lab activity. In conducting this skills lab activity, you can either Invite students to make research in library for students to interview him/her where needed.

i) Build

- Invite students to make research in library
- Remind students on the expected objective for the class attendance
- Help them to be grouped and remember to mix both boys and girls
- Let each team have the representative
- Ensure they have where to keep necessary notes from the findings

ii) Practice

- Guide students on listening resource person
- Ensure that all are listening
- Respond to any questions for clarification and support accordingly

iii) Present

- Choose randomly any two teams to present their findings
- Allow students to ask questions to resource person or their follows

iv) Conclusion

The teacher emphasizes on the objective of the visit reminding students that they have to follow formula used to vat payable accordingly.

Compute corporate income tax related to the income tax

1.6. Summary of the unit

- Any company which receives taxable income will be required to register for and pay corporate income tax unless the company is exempt.
- Dividends from overseas companies (for example a foreign subsidiary of a Rwandan parent company) are liable to CIT in Rwanda; the amount gross of overseas taxes should be included in taxable profit and then the overseas tax suffered can be deducted from the CIT liability (as double taxation relief).
- Different income tax regimes apply to calculate corporate income tax for companies' dependent on their level of turnover. For companies with turnover exceeding FRW 20,000,000 the real regime applies which means that companies will need to calculate their taxable trading profits. This is done by adjusting the accounting profits in exactly the same way as we saw for a sole trader.
- In addition to the taxable trading profits, companies will also be taxed on their investment income and rental income receivable during the year.
- All investment income in the form of interest, dividends and royalties must be included unless these are non-taxable. These may have been received net of withholding tax but the gross amount must be declared in taxable income and then the tax withheld will be accounted for when calculating the tax due.

1.7. Additional Information for Teachers

For more information, please refer to all official gazettes and books referenced in the reference page.

1.8. End unit assessment

Answers to end unit assessment activities (This part will be part of the Teacher's Guide)

1.

	FRW'000
Adjusted trade profits (W)	96,050
Less tax depreciation	(7,000)
Royalty income ($FRW\ 4,250 * \frac{100}{85}$)	5,000
Rental income	1,200
Taxable profits	<u>95,250</u>

Working: Adjusted trade profits

	FRW'000
Profit per accounts	74,500
Plus disallowed expenses:	
Repairs (capital)	6,000
Depreciation	13,000
Entertaining – except football (2,000 + 7,200)	9,200
Increase in provision for bad debts	2,000
Dividends paid	2,000
Less non-trading income:	
Dividend income (not taxable)	(5,200)
Royalty income	(4,250)
Rental income	(1,200)
Adjusted profit before tax depreciation	<u>96,050</u>

2.

Losses on long-term contracts

- B. It will be offset against total income in Year 2 of FRW 3,000,000, and then the remaining FRW 2,500,000 will be offset against the contract profit in Year 1.

The offset of the loss can be shown thus:

	Year 1 FRW	Year 2 FRW
Contract profit	3,500,000	0
Loss carried back FRW (5,500,000 – 3,000,000)	(2,500,000)	
Other business profits	3,000,000	2,750,000
Investment income	0	250,000
Contract loss		(3,000,000)
Taxable income	4,000,000	0

6. Loss utilization

	<i>Year ended</i> 31/12/2018	<i>Year ended</i> 31/12/ 2019
Business profit	150,000,000	400,000,000
Loss brought forward – year ended 31 December 2016	(150,000,000)	(350,000,000)
Loss brought forward – year ended 31 December 2017	0	(50,000,000)
Taxable business profit	0	0

	<i>Year ended</i> 31/12/2016	<i>Year ended</i> 31/12/ 2017
Loss incurred	500,000,000	200,000,000
Used in year ended 31 December 2018	(150,000,000)	
Used in year ended 31 December 2019	(350,000,000)	(50,000,000)
Loss carried forward	0	150,000,000

The loss of the year ended 31 December 2017 may be carried forward to the year ended 31 December 2022, unless the company is granted permission to extend this period or there is a change of 25% or more in the company's shareholders.

1.9. Additional activities

1.9.1. Remedial activities

1. Which of the following statements is **TRUE**?
 - A. If a company receives income from agricultural or livestock activities, then the first FRW 12,000,000 of its income is exempt from corporate income tax.
 - B. Akeza Plc, a Rwandan resident company, will not need to pay corporate income tax on profits from its business profits in Kenya.
 - C. Sanyu Ltd, a Ugandan resident company, will be liable to corporate income tax on the profits of its Rwandan permanent establishment.
 - D. Nibakore Plc, a Rwandan resident company, will need to pay corporate income tax on dividends that it receives from Barebe Plc, another Rwandan resident company.

Answer:

- C. **C is true** – Sanyu Ltd, a Ugandan resident company, will be liable to corporate income tax on the profits of its Rwandan permanent establishment.
2. A business incurs a loss of FRW 30,000,000 in the tax period to 31 December 2019 due to the loss of a major customer. How long can this loss be carried forward?
 - A. Until the tax period to 31 December 2020
 - B. Until the tax period to 31 December 2024, unless the tax administration permits an extension
 - C. Until the tax period to 31 December 2023, unless the tax administration permits an extension
 - D. It cannot be carried forward

Answer:

- B. Until the tax period to 31 December 2024, unless the tax administration permit an extension.

1.9.2. Consolidation activities

Buhanda Ltd prepares its accounts to the year ended 31 December. In the year its financial statements show the following:

- Interest income of FRW 680,000, which is received net of 15% withholding tax
- Royalty income of FRW 595,000, also received net of 15% withholding tax
- Expenses of managing the investments at FRW 50,000

Required: Calculate the investment income which will be included in Buhanda Ltd taxable income

Answer:

Investment income

	FRW
Interest income (FRW 680,000 * $\frac{100}{85}$)	800,000
Royalty income (FRW 595,000 * $\frac{100}{85}$)	700,000
Less expenses of managing the investments	(50,000)
Investment income	1,450,000

1.9.3. Extended activities

Duhahe Plc records the following income in its financial statements for the year ended 31 December:

- Royalty income of FRW 1,870,000 received net of 15% WHT
- Interest income of FRW 3,800,000 received net of 5% WHT from bonds in a listed company
- Interest income of FRW 6,000,000 from a five-year deposit at a bank

Expenses of managing the investments are FRW 1,000,000.

What is the investment income to be shown in Duhahe Plc's corporate income tax declaration (to the nearest FRW'000)?

- A. FRW 12,259,000
- B. FRW 12,200,000
- C. FRW 10,670,000
- D. FRW 11,200,000

Answer

- D. FRW 11,200,000

	FRW
Royalty income ($\text{FRW } 1,870,000 * \frac{100}{85}$)	2,200,000
Interest income ($\text{FRW } 3,800,000 * \frac{100}{95}$)	4,000,000
Interest from bank on long-term deposit	6,000,000
Less expenses of managing the investments	(1,000,000)
Investment income	11,200,000

2.1. Key unit competence: Use different percentages to compute related withholding taxes

2.2. Prerequisite (knowledge, skills, attitudes and values)

Learners were introduced in senior 4 (unit 3) to the Taxation of employment income, (unit 5) to the Taxation of investment income and (unit 6) to the Taxation of individual business profit (PIT) so, with this prior knowledge, skills, attitudes and values it should help them to appreciate the features of withholding.

2.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the cross-cutting issues where possible taking consideration of their environment or community around them.

Environment and sustainability: Environment is one of the greatest factors that can affect both positively or negatively any business activity and one cannot start up a business without the environment. Therefore, great care for environment is crucial. Students are to be advised on the importance of environmental protection and the importance of withholding taxes procedures in reducing harmful imports such as polythene paper while promoting other environmentally friendly businesses e.g. use of renewable energies (solar energy).

Gender education: Emphasis throughout this unit has to be put on how both males and females have the equal opportunities to understand and explain the withholding taxes system in Rwanda. So that this will encourage people to take the first step in paying their withholding taxes to the government.

Inclusive education: In addition to all having equal opportunities to carry out business activities, emphasis has to be put on how we all regardless of our background, economic or social setup have right to develop an ethical understanding of withholding taxes that do not discriminate. Students need to understand that the withholding taxes procedures should not discriminate but promote inclusiveness of all etc.

Peace and Values: You need to emphasize to learners the need to live in peace and harmony with others. Students need to appreciate the feature of withholding taxes in promoting peace and patriotism in the community avoiding activities that are illegal e.g. smuggling and make sure that every trade they plan to have is legal and contributes to national development goals.

Standardization culture: You need to emphasize to students the need for standard in a business legal aspect. This will help them to abide by standards of withholding taxes as prospective business legal aspects.

2.4. Guidance on introductory activity

Follow the guidance about the introductory activity:

Students in small groups, pairs or individual read and analyse the case study and based on above case is JOHN liable to pay taxes and based above case which goods and services will be taxable?

During the activity, make sure everyone is following and actively participating. Those who are not acting may have to listen attentively without disturbing and should applaud the actors after.

Students share their findings, responses or answers to the activity using an appropriate method such as group presentation, pair-share or large group discussion. Ensure all students are given an opportunity to give their views and should be respected.

Appreciate the team's presentations and remind them that this activity was not meant come to the very right answers but to help them become aware of what to expect in the unit. Answers to the activity will be got as the unit progresses. Guide them to take notes in their books referring to learners' book.

You can support student's answers by referring to possible answers to the introductory activity below:

Possible answers for introductory activity (case study)

Note: These responses may be shared or not with the students. They are specifically to guide you while harmonizing students' responses during presentation.

Q1. Yes

Q2: Shares from BK (15%), Machine Tractors and Construction materials (18%)

2.5. List of lessons/sub-heading

Headings	No	Lesson title/ sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
2.1 The feature withholding taxes and Import, public Tenders		Introductory activity	Arouse the curiosity of students on the content of unit 2	1
	1	The features of withholding taxes	Explain the different features of withholding taxes	1
	2	Import and Public Tenders.	Identify different withholding taxes on import and Public Tender.	1
2.2 Person exempted from withholding taxes and others payments	1	Person exempted from withholding taxes	List different persons exempted from withholding taxes	2
	2	Other payments subject to withholding taxes	Describe other payments subject to withholding taxes	3

2.3 Withholding taxes on gaming activities and Double Taxation Agreement (DTA).	1	Withholding taxes on gaming activities	Demonstrate withholding taxes on gaming activities and Discuss the Double Taxation Agreement.	3
2.4 End Unit Assessment				3

Lesson 1: The feature of withholding taxes, imports and public tenders

a) Learning objective:

- Explain the different feature of withholding taxes.
- Identify different withholding taxes on import and Public Tender.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objective link to the key unit competence.

d) Learning activities

Activity 2.1

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the activity in the student’s book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners’ different abilities. During this activity ensure that students have

understood the instructions, prompt and probe them through question and answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answers to Activity 2.1

The carriers/ Activities of KEVINE:

Legal expert

Importer, Businessman bids tenders

Application activities 2.1

This activity can be given as a normal individual activity, where students explain the different features of withholding taxes and Identify different withholding taxes on import and Public Tender.

Depending on the purpose of the application activity, choose an appropriate method to assess student's findings, answers or responses. Depending on the performance or results, you may decide to give remedial or extension activities.

Answers to Application Activity 2.1

Q.1:

- a) Withholding taxes is a deduction of tax levied at source of income as advance payment on income. It applies on income received by non-registered business or registered business without a recent income taxes declaration.

- b) - Withholding taxes 3% must be withheld on public tenders
- Withholding Taxes 5% is levied on imports

Lesson 2: Person exempted from withholding taxes and others payment

a) Learning objectives:

- List different persons exempted from withholding taxes
- Describe other payments subject to withholding taxes

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

In previous lesson, lesson 1 Students studied for the feature withholding taxes, Import and public tenders.

That will help to list different persons exempted from withholding taxes and describe other payments subject to withholding taxes. Leant in this lesson.

d) Learning activities

Activity 2.2

- Put students in small groups and give clear instruction about the activity
- Ask them to observe the pictures in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings

Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when to list different persons exempted from withholding taxes and describe other payments subject to withholding taxes relating Person exempted from withholding taxes and others payment. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 2.2

NO,

The following taxpayers are exempted from withholding taxes:

1. those whose business profit is exempted from taxation;
2. those who have tax clearance certificate issued by the Tax Administration;
3. those who are newly registered during the concerned annual tax period.

Application activities 2.2

This activity can be given as a normal individual activity, where students explain taxpayers are exempted from withholding taxes and others payment subject to withholding taxes.

Monitor the activity to ensure students are on track and actively participating. You make correction of paper assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to application activity 2.2

Q1.

- a) Performance income
- b) Tax paid is: $(24,000,000 * \frac{15}{100}) = \text{FRW } 3,600,000$

Q2. Withholding tax paid is: $(3,500,000 * \frac{15}{100}) = \text{FRW } 525,000$

Lesson 3: Withholding taxes on gaming activities and Double Taxation Agreement (DTA)

a) Learning objective

- Demonstrate withholding taxes on gaming activities
- Discuss the Double Taxation Agreement.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 2.3

- Put students in small groups and give clear instruction about the activity
- Ask them to show the pictures in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings

Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when to demonstrate Withholding taxes on gaming activities and Discuss Double Taxation Agreement (DTA). Answers or address any questions or challenges about the activity. guide them to make notes in referring in their students' book.

Answer to Activity 2.3

Do you think that the betting company will pay tax? And why

YES, because betting companies perform business income related activities

Application activities 2.3

This activity can be given as a normal individual activity, where students demonstrate withholding taxes on gaming activities and Discuss the Double Taxation Agreement

Monitor the activity to ensure students are on track and actively participating

You make correction of paper assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 2.3

Q1. Double Taxation Agreement is international taxation involves taxation which is cross border.

Q2. The purpose of Double Taxation Agreement is “the avoidance of double taxation with respect to taxes on income and on capital”.**Skills lab activity 2**

Guidance on the skills lab activity:

In conducting this skills lab activity, you can either invite a resource person from RRA to share with students on the calculation of withholding tax for imports and public tenders and ask students to apply using an illustration to compute withholding taxes then share findings

i) Build

Given that students visit the RRA:

- Remind students on the expected objective for the class attendance
- Help them to be grouped and remember to mix both boys and girls
- Let each team have the representative
- Ensure they have where to keep necessary notes from the findings
- Distribute questions for their research
- Check their understanding of the assignment
- Remind them that everybody full participation is mandatory

ii) Practice

During research on internet, care about the following concerns:

- Guide students on accessing the real website
- Ensure that internet is connected for all
- Respond to any questions for clarification and support accordingly

Experimental Version 89 to facilitate the presenter to prepare his presentation, send him a concept note describing what has been covered during the class lesson and state what are students and teacher’s expectations.

iii) Present

During the group presentation, the teacher must assess whether the student participation in the skills lab activity was effective by:

- Selecting randomly anyone in all groups to present the report on behalf of team members.
- Allowing students to ask question to their fellows. All team members being presenting are expected to contribute to the plenary by answering some questions that the presenter is not covering as well as expected.

iv) Conclusion

The teacher emphasizes on the objective of the research reminding students that they were expected to be able to compute PAYE and all RSSB contributions, to file their related declarations, to discover the payment mode so as to meet all

2.6. Summary of the unit

- **The features of withholding taxes**

Definition of withholding taxes: Withholding taxes is a deduction of tax levied at source of income as advance payment on income. Within the rwandan tax system, certain types of payment are liable to withholding taxes. Withholding taxes is due to be paid on or before the 15th days of the month following the relevant payment that is subject to withholding taxes.

- **Import and Public Tenders.**

a) Withholding tax on goods imported for commercial use

An import is the name for the purchases from another's country. When goods are imported into Rwanda for commercial use, they are held at customs until the purchaser collects them. The purchaser of the goods retains (and pays to the taxes administration) withholding tax of **5%** on such purchase.

b) Withholding tax on public tenders

A public tender is a bidding process for goods and services being provided to public tender.

When a public body requires goods or services, they will usually get several quotes from different supplies, this is called public tender. The public body will award the tender to a supplier and pay the quoted fee. Note that the public body is not obliged to approach more than one supplies all contracts with public bodies are covered by the same withholding rules.

The public body will deduct withholding tax from the payment at a rate of **3%** of the value added tax VAT-exclusive value of the contract.

❖ **Person exempted from withholding taxes and others payment**

✓ **Persons exempted from withholding taxes**

The following taxpayers are exempted from withholding taxes:

1. those whose business profit is exempted from taxation;
2. those who have tax clearance certificate issued by the Tax Administration;
3. those who are newly registered during the concerned annual tax period.

The Tax Administration may revoke a tax clearance certificate at any time if the conditions required by the tax administration are not fulfilled.

✓ **Types of payment subject to withholding tax**

Payments subject to the withholding tax of fifteen percent (**15%**) are related to the following:

Financial interests

Dividends

Royalties;

Service fees

Performance payments

❖ **Withholding taxes on gaming activities and Double Taxation Agreement(DTA)**

✓ **Withholding tax on gaming activities.**

The fifteen per cent (**15%**) tax is withheld by a company that carries out gaming activities on the difference between winnings of the player and amount invested by the player.

✓ **Double Taxation Agreement (DTA)**

Definition of (DTA): Double Taxation Agreement in international taxation involves taxation which is cross border.

It can arise from individual having taxable income or assets in two countries or a business operating in two (or more) countries. Due to increased globalization, the growing level of business trading international around the globe and increased personal mobility, international taxation is becoming prevalent

2.7. Additional information for teachers

❖ Quitus Fiscal certificate

A Quitus Fiscal certificate is available, upon request, to taxpayers who have demonstrated a history of correct tax compliance. The benefit of Quitus Fiscal is that certified taxpayers are not required to have WHT 3% withheld and paid on their behalf. The procedure and requirements for applying for a Quitus Fiscal certificate are listed.

❖ Declaring withholding taxes (with 15% and with 3%)

The declaration process for withholding taxes is similar to other domestic taxes, see guide to declaration domestic taxes using E-tax.

Firstly, download the withholding annexures from the e-tax website, it is important to note that each type of withholding tax (including the different types of income subject to withholding 15%) must complete their own annexure and declaration separately. The whole declaration process should be completed for each type of withholding tax before beginning the next type.

The withholding annexures file has three tabs. Only the 'withholdings' Tab needs to be completed, validated and saved for withholding taxes.

❖ Who must pay withholding taxes penalties and fines

Any penalties and fines are the liability of the 'withholding agent' where the withholding agent is defined as the source of taxable income who is required to declare and pay the withholdings tax.

❖ What if the withholding agent fails to withhold tax?

A withholding agent who fails to withhold tax at the point of transaction, is still liable to declare and pay the withholding tax, including any penalties and fines. However, the withholding agent is entitled to recover the principal amount from the recipient of income.

2.8. Answers to end unit assessment activities

Q1. 1 and 5 are true

Q2. Payment to a Rwandan registered business that does not hold a tax clearance certificate.

A and C would be charged at a rate of 15% not 3% and holder of a tax clearance certificate is exempt from withholding tax on public tender income.

Q3. C is 10%

Q4. 2 and 3 these would incur rates of 5% and 10% respectively.

Q5.

1. The location of the shareholder.

If resident in Rwanda or elsewhere in the EAC, the standard withholding tax rate is 5%.

If resident in a country with which Rwanda has a DTA, the rate could be 7.5% (Barbados or Singapore), 10% (Mauritius, South Africa or Jersey) or 15% (Belgium).

If the shareholder is resident anywhere else in the world, the rate would be 15%.

2. Does the shareholder have a tax identification number (TIN) with the Rwanda Revenue Authority? If so, no withholding tax is required.

2.9. Additional activities

2.9.1. Remedial activities

Questions:

1. What is the taxpayer?
2. Give any 2 Conditions required for withholding taxes?
3. With percentage tax rate identify three examples of withholding taxes.

Answers

1. Taxpayer is person who pay taxes
2. Two conditions required for withholding taxes are:

a) The withholding agent must be Rwandan resident (note however that they may be a tax-exempt body) or the permanent establishment of a non-resident company

b) the recipient is either:

- Not register with the Rwandan tax administration
- Registered

3. Withholding tax of public tender: Tax rate is 3%

Withholding tax of import: Tax rate is 5%

Withholding tax of interest income: Tax rate is 15%

2.9.2. Consolidation activities

Q.1 NERSON a legal expert resident in Rwanda has been awarded a contract for law writing services for the Rwandan central government with a value of Rwf 250,000 plus VAT at 18%. Betty is register with the tax administration and is up to date in all her tax declarations and record- keeping.

What amount of withholding tax will the Rwandan central government deduct from this fee?

- A RWF 7,500
- B RWF 8,850
- C RWF 44,250
- D RWF 37,500

Q.2 ABC Ltd Company pay a gross dividend of FRW 250,000 to shareholder. Calculate withholding tax must be deducted by ABC Ltd Company.

Q.3 Differentiate Services fees and royalty income.

Answers:

Q1. Public tenders

A FRW 7,500

Q2. Withholding tax to be deducted by ABC Ltd Company : $(FRW 250,000 \times 15\%) = FRW 37,500$

Q.3.

Services fees is subject to withholding taxes of 15%. Services fees includes payments of any kind to any person other than an employee, In considerations for any services of managerial, technical or consultancy nature.

Royalty income is subject to withholding taxes of 15%. Royalty income include all payments of any kind received for the use or right to use for example scientific work (TV, Radio.), design.....

2.9.3. Extended activities

Question:

You work for a large company with many Rwandan and overseas shareholders. The company listed on the Rwandan capital market and has recently declared a dividend to its shareholders.

List the factors you need to consider when determining the rate of withholding tax to deduct on the dividends, and how these will impact the withholding tax rate.

Answer:

a) The location of the shareholder.

If resident in Rwanda or where in the EAC the standard withholding tax rate is 5%

If resident in a country with which Rwanda has a DTA, the rate could be 7.5% (Singapore), 10% (Mauritius, South Africa or Jersey) and 15% (Belgium).

If the shareholders are resident anywhere else in the world, the rate would be 15%.

b) Does the shareholders have a tax identification number (TIN) with Rwandan Revenues Authority? If so no withholding tax is required

3.1. Key unit competence: To compute taxes and fees collected by decentralized entities

3.2. Prerequisite (knowledge, skills, attitudes and values)

Learners were introduced in senior 4 (unit 1) to the Rwandan tax system, in senior 5 (unit 1) to the taxation of corporate business profit. So, with this prior knowledge, skills, attitudes and values it should help them to appreciate the role of taxes and fees of decentralized entities in the development of local administration.

3.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones you can address and give students opportunities to discuss all the cross-cutting issues where possible taking consideration of their environment or community around them.

Environment and sustainability: Environment is one of the greatest factors that can affect both positively or negatively any business activity and one cannot start up a business without the environment. Therefore, great care for environment is crucial. Students are to be advised on the importance of environmental protection and the importance of to compute taxes and fees collected by decentralized entities promoting other environmentally friendly businesses e.g. use of renewable energies (solar energy).

Gender education: Emphasis throughout this unit has to be put on how both males and females have the equal opportunities to understand and to compute taxes and fees collected by decentralized entities. So that this will encourage people to take the first step in paying their duties to the government.

Inclusive education: In addition to all having equal opportunities to carry out business activities, emphasis has to be put on how we all regardless of our background, economic or social setup have right to develop an ethical understanding of Rwandan system that do not discriminate. Students need to compute taxes and fees collected by decentralized entities should not discriminate but promote inclusiveness of all etc.

Peace and Values: You need to emphasize to learners the need to live in peace and harmony with others. Students need to appreciate the role to compute taxes and fees collected by decentralized entities in promoting peace and patriotism in the community avoiding activities that are illegal e.g. smuggling and make sure that every trade they plan to have is legal and contributes to national development goals.

Standardization culture: You need to emphasize to students the need for standard in a business legal aspect. This will help them to abide by standards of customs procedures as prospective business legal aspects.

3.4. Guidance on introductory activity

Follow the guidance about the introductory activity:

Students in small groups, pairs or individual read and analyse the case study and identify the role of the tax administration seen in the picture especially property owners and business people on December 31st, every year, what makes the property owners so anxious to know the probable changes on the rates of plot of land and to business people to be ready in the first month of the coming year to make payment of trading license.

During the activity, make sure everyone is following and actively participating. Those who are not acting may have to listen attentively without disturbing and should applaud the actors after.

Students share their findings, responses or answers to the activity using an appropriate method such as group presentation, pair-share or large group discussion. Ensure all students are given an opportunity to give their views and should be respected.

Appreciate the team's presentations and remind them that this activity was not meant come to the very right answers but to help them become aware of what to expect in the unit. Answers to the activity will be got as the unit progresses. Guide them to take notes in their books referring to learners' book.

You can support student’s answers by referring to possible answers to the introductory activity below:

Possible answers for introductory activity

Note: These responses may be shared or not with the students. They are specifically to guide you while harmonizing students’ responses during presentation.

1. The person standing in the village is tax administration coming to collect taxes.
2. Taxable activities found in the picture are the following:
 - Plots
 - Buildings
 - Trading activities in the market

3.5. List of lessons/sub-heading

Headings	#	Lesson title/ sub-headings	Learning objectives	Number of periods
3.1 Definition of key terms used in decentralized taxes and fees		Introductory activity	Arouse the curiosity of students on the content of unit 3.	1
	1	Different key terms used in decentralized taxes	Explain the different key terms used in decentralized taxes	2
3.2 Sources of revenue and property of decentralized entities	1	Sources of revenue and property of decentralized entities	Describe different sources of revenue and property of decentralized entities	2
3.3 Types of Taxes and Fees to be paid to Decentralized Entities	1	Immovable Property Tax	Calculate immovable property tax	4

	2	Trading License Tax	Calculate trading license tax	3
	3	Rental Income Tax	Calculate rental income tax	4
	4	Local government fees	Compute the local government fees	4
3.4 Other Sources of Revenue for Decentralized Entities	1	Loans, Investments, Government subsidies	Explain other different sources of revenue of decentralized entities	2
3.5 End unit assessment				3

Lesson 1: Definition of key terms used in decentralized taxes and fees

a) Learning objective

Explain the different key terms used in decentralized taxes

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objective link to the key unit competence.

d) Learning activities

Activity 3.1

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students

with the activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners' different abilities. During this activity ensure that students have understood the instructions, prompt and probe them through question and answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answers to Activity 3.1

Explain to students that the owner of the property is the one liable to pay tax as is the one registered as owner of an immovable property or a holder of other rights on the property.

e) Application activities 3.1

Students analyse and discuss about the questions either in groups or in pairs and come up with possible answers. This activity may be given as a research question or homework.

Depending on the purpose of the application activity, choose an appropriate method to assess student's findings, answers or responses. Depending on the performance or results, you may decide to give remedial or extended activities.

Answers to application activity 3.1

1.
 - a) **Micro enterprise** is a business having less than five hundred thousand Rwandan francs (FRW 500,000) as net capital investments, less than three hundred thousand Rwandan francs (FRW 300,000) as annual turnover and having between one (1) and three (3) employees; **while, Medium enterprise** is a business having from fifteen million Rwandan francs (FRW 15,000,000) to seventy million Rwandan francs (FRW 70,000,000) as net capital investments, from twelve million Rwandan francs (FRW 12,000,000) to fifty million Rwandan francs (FRW 50,000,000) as annual turnover and having from thirty-one (31) to one hundred (100) employees. The key difference between them is money invested in capital and number of employees they have employed.
 - b) **Commercial building** is a house for which the competent authority has authorized the construction for commercial purposes; **while, Industrial building** is a house for which the competent authority has authorized the construction for industrial purposes
2. The decentralized entities are responsible for a range of vital services for people and businesses in defined areas. Among them are well known functions such as social care, schools, housing and planning and waste collection, but also lesser known ones such as licensing, business support, registrar services and pest control.

Lesson 2: Sources of revenue and property of decentralized entities

a) Learning objective

Describe different sources of revenue and property of decentralized entities

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

In the previous lesson, lesson 1, students explored several key terms used in decentralized taxes and fees. That will help them to describe different revenue streams and properties of decentralized entities.

d) Learning activities

Activity 3.2

- Divide students into small groups and provide clear directions about the activity
- Ask them to read the scenario in the student book and answer the questions asked in the activity
- Guide students' discussion and make sure that everyone participates
- Invites students to share their findings
- Invite students individually to comment on the general conclusion drawn from the results
- Harmonize their results or answers and link the results to the learning objective. Help them draw conclusions/summaries on when to talk about revenue streams and property of decentralized entities.
- Answers or address questions or challenges about the activity. Encourage them to take notes as they consult their student book.
- Ask students to complete application activity 3.2 and assess whether the lesson objectives have been met to assess their competencies.

Answer to Activity 3.2

The revenues collected by RRA on behalf of decentralized entities are

- i. Revenues from:** Taxes and fees paid in accordance with the decentralized tax structure
- ii. Funds obtained from issuance of certificates and their extension by decentralized entities;
- iii. Profits from investment of decentralized entities and interests from their own shares and income-generating activities;
- iv. Administrative fines;

- v. Loans;
- vi. Government subsidies;
- vii. Donations and bequests;
- viii. Fees from partners;

e) Application activities 3.2

Students can be given an activity to discuss about the questions in groups, give clear instructions and ensure a balance in the groups. Students are to give a report of their findings. Monitor the activity to ensure students are on track and actively participating.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to application activity 3.2

Other sources of income for Burera District are as follows:

- Revenue from fines
- Revenues from cleaning fees
- Revenues from property taxes
- Loans
- Funds obtained from issuance of certificates and their extension by decentralized entities;
- Profits from investment of decentralized entities and interests from their own shares and income-generating activities.

Lesson 3: Types of Taxes to be paid to Decentralized Entities

a) Learning objective

Use Rwandan tax law to calculate the immovable property tax, trading license tax, rental income tax and local government fees.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any

other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 3.3

- Individually, invite students to work on the activity 3.3 from the S5 Taxation student's book;
- Move around for facilitating students where necessary and give more clarification on eventual challenges they may face during their work;
- Invite students to share their results to their neighbours
- Individually, invite students to share their findings to the whole class
- As a teacher, harmonize the findings from presentations and use different probing questions to help students to explore examples and the content given in the student's book to enhance skills on taxable income and taxable trading profits.
- Invite students individually to comment on the general conclusion from findings
- Ask students to do the application activity 1.2 and evaluate whether lesson objectives were achieved to assess their competences.

Answer to Activity 3.3

Property Tax is paid by the owner of Property, so the Siblings are liable to pay property tax.

According to Article 8 of Law 75/2018, if immovable property is owned by more than one (1) co-owner, the co-owners appoint and authorize one of them or any other person to represent them jointly as a group of taxpayers. If co-owners of immovable property have not appointed a co-owner or a proxy to represent them jointly as a group of taxpayers, the tax obligations related to the immovable property will be settled in accordance with laws regulating

co-owned property, so the siblings will authorize one of them to represent them.

e) Application activities 3.3

This activity can be given as a normal individual or group activity, where students use Rwandan tax law to compute the trading license tax, rental income tax and local government fees.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 3.3

1.

From 1st April to 31st December 2021

From 1st January to 31st December 2022

From 1st January to 31st March 2023.

By 7th April 2023, Tub yine Fun Pub will need to declare and pay Trading License Tax for April to December 2023.

The deadline for declaring and paying Trading License Tax for 2024 will be 31st January 2024.

2. Due to the fact that Dukore is only in business for ten out of the twelve months that year, his Trading License Tax due is: $FRW\ 30,000 \times \frac{10}{12} =$
FRW 25,000

3. Computation of Rental Income and Tax of Mwiza for the Year Ended 31/12/2022

Property One:	Workings	Amount FRW
Gross income	1,200,000 * 12	14,400,000
Less: Allowable expenses	50% * 14,400,000	(7,200,000)
Less: Interest expenses	17% * 20,000,000	(3,400,000)
Taxable rental income		3,800,000
Property Two:		
Gross income	1,200,000 * 12	14,400,000
Less: Allowable expenses	50% * 14,400,000	(7,200,000)
Taxable rental income		7,200,000

Total taxable rental income		11,000,000
Tax Liability	Rate	
0 – 180,000	0%	-
180,001 – 1,000,000	20%	164,000
1,000,001 – 11,000,000		3,000,000
Tax Liability		3,164,000

Tax Declaration

Any person who earns an income referred to in Article 52 of Law 75/2018 of Rwanda tax law must, on or before January 31st each year, file an official tax declaration as provided for by laws.

4.

Items	Amount FRW
Nyabugogo market fees	10,000
Shyorongi market fees	3,000
Total market fees	13,000

The market fees to be paid by Kazungu is FRW 13,000

Lesson 4: Other Sources of Revenue for Decentralized Entities

a) Learning objective

Explain other different sources of revenue of decentralized entities

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 3.4

- Organize students into small groups;
- Invite students to work on the questions for activity 3.4 in small groups.
- Walk around to help and guide students who are having difficulty with their assignment.
- Invite each group to share their answers with another group, and encourage each another when they have greater difficulty completing this activity 3.4
- During a class discussion, ask the group leader to present their findings to the whole class.
- As a teacher, harmonize the students' different responses to Activity 3.4
- Have students review application activity 3.4 and assess whether the objectives of the lesson have been met.

Answer to Activity 3.4

Decentralized entities can generate other sources of revenue from loans, investments or from government subsidies.

e) Application activities 3.4

An activity can be given to students to discuss the questions in groups, giving clear instructions and maintaining balance in the groups. The students should report on their results. Monitor the activity to ensure students are on track and actively participating.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 3.4

Every year, the Government transfers to the decentralized entities at least 5% of the domestic revenue of the previous tax period in order to support the activities budgeted by them.

Skills lab activity 3

Guidance on the skills lab activity:

In conducting this skills lab activity, you can either arrange for students accompanied field visit to the nearest office of RRA to meet with Domestic Taxes Department manager to attend a presentation on collection of decentralized taxes and fees in Rwanda and challenges faced by tax administration.

i. Build

Given that students visit the RRA office,

- Remind students on the expected objective for the field visit
- Help them to be grouped and remember to mix both boys and girls
- Let each team have the representative
- Ensure they have where to keep necessary notes from the findings
- Distribute questions for their research
- Check their understanding of the assignment
- Remind them that everybody full participation is mandatory.

Instruct students to be in school uniform so as to facilitate the security officers to differentiate students from usual clients known as taxpayers.

ii. Practice

For the visit to RRA office, a concept note is needed to describe what has been covered during the class lesson and state what are students and teacher's expectations.

iii. Present

During the group presentation, the teacher must assess whether the student participation in the skills lab activity was effective by:

- Selecting randomly anyone in all groups to present the report on behalf of team members.
- Allow students to ask question to their fellows.
- All team members being presenting are expected to contribute to the plenary by answering some questions that the presenter is not covering as well as expected.

iv. Conclusion

The teacher emphasizes on the objective of the research reminding students that they were expected to discover and understand all the types of taxes and fees collected by the decentralized entities. After this discovery, students should be able to file the return, to apply all the payment facilities and comply with all deadlines per tax as indicated in the tax law.

3.6. Summary of the unit

1. Definition of key terms used in decentralized taxes and fees

The Rwandan tax structure is categorised into two that is, the decentralised tax structure and the centralised tax structure. The centralised tax structure is the one that is collected by the central government whereas the decentralised tax structure is the one that is collected by the local administration.

2. Sources of revenue and property of decentralized entities

The revenue and property of decentralized entities come from the following sources:

Taxes and fees paid in accordance with the decentralized tax structure, funds obtained from issuance of certificates and their extension by decentralized entities; profits from investment of decentralized entities and interests from their own shares and income-generating activities; administrative fines; loans; Government subsidies; donations and bequests; etc,...

3. Types of taxes to be paid to Decentralized Entities

Taxes to be paid to decentralized entities include the following:

- i. Immovable property tax;
- ii. Trading licence tax;
- iii. Rental income tax.

4. Other sources of revenue for decentralized entities

Decentralized entities can generate other sources of revenue from loans, investments or from government subsidies.

3.7. Additional information for teachers

Additional Information

All revenue projections of decentralized entities are included in their annual budget.

The owner who lives abroad can have a proxy in Rwanda. Such a proxy must fulfil the tax liability that this Law requires from the owner. Misrepresentation is considered as if it is done by the owner.

Taxpayers of immovable property tax

The immovable property tax is assessed and paid by the owner, the usufructuary or any other person considered to be the owner.

Person liable for the trading license tax

The trading license tax is paid by any person for each place in which he/she opens a business activity within a District.

Rental income tax base

The rental income tax is charged on income generated by an individual or any other person who is not subject to corporate tax from a rented immovable property located in Rwanda.

Fees levied by decentralized entities

Fees to be paid to decentralized entities are all fees entitled to them by the Law N° 75/2018 of 07/09/2018 and other laws.

3.8. End unit assessment (Answers)

Q1.

Particular	Market value	Working	Tax
Residential building occupied by the owner and his family	200,000,000		Exempted
Apartment with two floors	450,000,000	0.25% * 450,000,000	1,125,000
Apartment with five floors	800,000,000	0.25% x 50% * 800,000,000	1,000,000

Commercial building	500,000,000	0.2% * 500,000,000	1,000,000
Total tax			3,125,000

Q2.

Turnover of each branch = Average from the total turnover = $\frac{6,000,000,000}{15} =$
FRW 400,000,000

Decentralized District	Trading license tax base (FRW)	Tariff (FRW)	Trading tax payable (FRW)
Agaciro Bank	6,000,000,000	250,000	250,000
Nyarugenge District	400,000,000	250,000	250,000 * 6 = 1,500,000
Kicukiro District	400,000,000	250,000	250,000 * 5 = 1,250,000
Gasabo district	400,000,000	250,000	250,000 * 4 = 1,000,000
Total trading license tax			4,000,000

Q3.

Computation of Rental income and Tax of Uwineza for the Year Ended 31/12/2015

Items	Workings	Amount FRW	Amount FRW
Property One:			
Gross income	3,500,000 * 12		42,000,000
Less allowable expenses	50% * 42,000,000	21,000,000	
Less interest	50,000,000 * 15%	7,500,000	(28,500,000)
Taxable income			13,500,000
Property Two:			
Gross income	3,500,000 * 8	28,000,000	
Less allowable expenses	50% * 28,000,000	14,000,000	
Taxable income			14,000,000
Total taxable income			27,500,000
Tax liability	Rate		Tax
0 – 180,000	0%		0
180,001 – 1,000,000	20%		164,000
1,000,001 – 27,500,000	30%		7,950,000
Tax liability			8,114,000

3.9. Additional activities (Questions and Answers)

3.9.1. Remedial activities

Q1. Explain the term trade license tax and who is liable to pay the tax.

Answer:

Trading license tax, is a tax levied on any person or business conducting profit-oriented activities.

Any person or business conducting profit-oriented activities in Rwanda is required to register and make payment of the trading license tax.

Q2. Rugwiza rents a house to tenants in the year 2019. He receives gross rental income of FRW 4,800,000 during the tax year. He has a bank loan for that house, and paid FRW 400,000 interest in the year 2019. Compute his taxable income and tax liability.

Answer:

Particulars	Workings	Amount FRW
Gross income	4,800,000	4,800,000
Less allowable expenses	50% * 4,800,000	(2,400,000)
Less interest expenses	400,000	(400,000)
Taxable rental income		2,000,000
Tax liability		
0 -180,000	0%	0
180,001 – 1,000,000	20%	164,000
1,000,000	30%	300,000
Tax Liability		464,000

3.9.2. Consolidation activities

Munyana has a supermarket business. She has a warehouse where goods are kept, two shops where goods are sold and a delivery truck that consumers can pay an additional fee to have the goods delivered.

Required: Explain if she will pay the trading license tax for all the premises or some of them.

Answer:

Munyana does not have to declare and pay Trading License Tax for the warehouse, but is required to declare and pay Trading License Tax for each of the two shops and the delivery truck.

3.9.3. Extended activities

Q1.

Iraguha Christian, a resident in Rwanda, owns rental apartment in Kagugu, Kigali. He completed the construction of the apartments in December, 2021 and the first occupants entered the apartments in January 2022. The total cost of construction of the apartments was 1.2 billion. Part of the construction costs was funded by mortgage loan from Bank of Kigali of FRW 500,000,000 repayable in 15 years at an interest of 15% per annum. There is sufficient documentation to support the interest paid during the year. The rental income earned for the year ended 31st December 2022 was FRW 185,250,000. The expenses incurred during the year were:

	FRW
Cleaning and garbage disposal	8,000,000
Security services	52,000,000
Other general maintenance expenses	70,000,000
Total	130,000,000

Required

Compute the taxable rental income and tax payable by Iraguha Christian for the year ended 31st December, 2022 and state the due date of payment.

Answer

Items	Workings	Amount FRW	Amount FRW
Gross income	185,250,000		185,250,000
Less allowable expenses	50% * 185,250,000	92,625,000	
Less interest expenses	500,000,000 * 15%	75,000,000	(167,625,000)
Total taxable income			17,625,000
Tax Payable	Rate		Tax

0 -180,000	0%		0
180,001 – 1,000,000	20%		164,000
1,000,000 – 17,625,000	30%		4,987,500
Tax payable			5,151,500

Q2.

In 2021, Mrs. Benie has an obligation to pay the rental income as required by Law N° 75/2018 of 07/09/2018 defining the revenue and property of decentralized entities after receiving the rental income from 4 rented immovable property as their contracts show below:

- i. Alexis's contract starts on 30th April 2021 for a payment of FRW 450,000 /Month
- ii. Gad's contract starts in September 2021 for a payment of FRW 360,000 /Month
- iii. Safia's contract starts in January 2021 for a payment of FRW 255,000 /Month
- iv. Emmanuel's contract starts in June 2021 for a payment of FRW 275,000 /Month

N.B. In 2020, Benie contracted a loan from Umwarimu Sacco for a period of 3 years, to make some improvements in these 4 assets rented. The monthly interest paid for the loan received is FRW 140,635.

Required:

- a) Compute the total rental income received by Mrs. U. Benie for FY 2021.
- b) Compute the taxable income.
- c) Compute the tax due (rental income tax) for the tax department for the year 2021.

Answer:

Items	Workings	Amount FRW	Amount FRW
(Alexis = 8 months)	8 x 450,000	3,600,000	
(Gad = 4 months)	4 x 360,000	1,440,000	
(Safia = 12 months)	12 x 255,000	3,060,000	
(Emmanuel = 7 months)	7 x 275,000	1,925,000	
Total rental income			10,025,000
Less allowable expenses	50% x 10,025,000	5,012,500	
Less interest expenses	140,635 x 12	1,687,620	(6,700,120)
Total taxable income			3,324,880
Tax Payable	Rate		Tax
0 -180,000	0%		0
180,001 – 1,000,000	20%		164,000
1,000,000 – 3,324,880	30%		697,464
Tax due			861,464

4.1. Key unit competence: Compute the Customs and consumption taxes

4.2. Prerequisite (knowledge, skills, attitudes and values)

Learners were introduced in senior 2 (unit 5) to the Taxes in Rwanda, in senior 3 (unit 5) to the role of Rwandan customs procedures, taxation s4 accounting (Unit 1) to introduction to Rwanda tax system. So, with this prior knowledge, skills, attitudes and values it should help them to appreciate the customs and consumption tax when importing or exporting.

4.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the cross-cutting issues where possible taking consideration of their environment or community around them.

Environment and sustainability: Environment is one of the greatest factors that can affect both positively or negatively any business activity and one cannot start up a business without the environment. Therefore, great care for environment is crucial. Students are to be advised on the importance of environmental protection and the importance of customs procedures and consumption in reducing harmful imports such as polythene paper while promoting other environmentally friendly businesses e.g. use of renewable energies (solar energy).

Gender education: Emphasis throughout this unit has to be put on how both males and females have the equal opportunities to understand and explain the process of customs and consumption procedures. So that this will encourage people to take the first step in paying their duties to the government.

Inclusive education: In addition to all having equal opportunities to carry out business activities, emphasis has to be put on how we all regardless of our background, economic or social setup have right to develop an ethical understanding of customs ,consumption tax and that do not discriminate. Students need to understand that the customs procedures should not discriminate but promote inclusiveness of all etc.

Peace and Values: You need to emphasize to learners the need to live in peace and harmony with others. Students need to appreciate the role of customs procedures and consumption in promoting peace and patriotism in the community avoiding activities that are illegal e.g. smuggling and make sure that every trade they plan to have is legal and contributes to national development goals.

Standardization culture: You need to emphasize to students the need for standard in a business legal aspect. This will help them to abide by standards of customs procedures and consumption as prospective business legal aspects.

4.4. Guidance on introductory activity

Follow the guidance about the introductory activity:

Students in small groups, pairs or individual read and analyse the scenario and give the things are you seeing and what do you think Mr. KAMARI will present to border for his

During the activity, make sure everyone is following and actively participating. Those who are not acting may have to listen attentively without disturbing and should applaud the actors after.

Students share their findings, responses or answers to the activity using an appropriate method such as group presentation, pair-share or large group discussion. Ensure all students are given an opportunity to give their views and should be respected.

Appreciate the team's presentations and remind them that this activity was not meant come to the very right answers but to help them become aware of what to expect in the unit. Answers to the activity will be got as the unit progresses. Guide them to take notes in their books referring to learners' book.

You can support student's answers by referring to possible answers to the introductory activity below:

Possible answers for introductory activity (case study)

Note: These responses may be shared or not with the students. They are specifically to guide you while harmonizing students' responses during presentation.

1.
 - a. Customs duties
 - b. Import
 - c. Export
2.
 - a. Certificate of origin
 - b. CIF computation documents

4.5. List of lessons/sub-heading

Headings	#	Lesson title/ sub-headings	Learning objectives	Number of periods
4.1 EAC origin, objectives		Introductory activity	Arouse the curiosity of students on the content of unit 5.	1
	1	EAC origin	Discuss general overview of East Africa Community Customs Management Act (EACCMA)	2
	2	Objectives of EAC customs union	Identify the objectives of EAC customs union	1
4.2 Description of customs duties	1	Definition of customs duties and the person who can import or export	Identify the customs and the person who can import or export	1

	2	Types of Customs duties	Identify on types of Customs duties	2
	3	Valuation of imported and exported goods	Identify the valuation of imported and exported goods	1
	4	The documents required when importing or exporting	Identify the documents required when importing or exporting	1
4.3 The taxes that are specifically paid on imports	1	Import Duty	Discuss Import Duty	2
	2	Withholding Tax of 5% And Infrastructure Development Levy	Identify withholding tax of 5% and explain infrastructure development levy	1
	3	Strategic Reserves Levy and African Union Levy	Discuss the Strategic Reserves Levy and African Union Levy	1
	4	Motor Vehicle Registration Fees (MVF) and Road Toll	Explain Motor Vehicle Registration Fees (MVF) and Road Toll	2
	5	Fuel Levy and Export Duty on Raw Hides and Skins	Identify Fuel Levy and Export Duty on Raw Hides and Skins	1
	6	Computer Processing Fee, Quality Inspection Fees (QIF) and Warehousing Fees	Identify Computer Processing Fee, Quality Inspection Fees (QIF) and Warehousing Fees	1

4.4 The excise duty (consumption tax)	1	Definition of excise duty and the person required to register for excise duty	Explain the excise duty and the person required to register for excise duty	1
	2	The obligations of excise registered taxpayers and valuation methods of excise duty	Explain the obligations of excise registered taxpayers and valuation methods of excise duty	2
	3	The taxable products, rates of excise duty and Excise computation	Identify the taxable products, rates of excise duty and Compute Excise duty	3
	4	The exemptions for excise duty	Explain the exemptions for excise duty	1
	5	The deadline to declare and pay excise duty	Identify the deadline to declare and pay excise duty	1
	6	Excise duty penalties and fines	Identify Excise duty penalties and fines	2
4.5 End unit assessment				3

Lesson 1: EAC origin, objectives

a) Learning objective

- Discuss general overview of East Africa Community Customs Management Act (EACCMA)
- Identify the objectives of EAC customs union

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, RRA Tax Guide (2019), Protocol on the establishment of the East African Customs Union of 2004, text books resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objective link to the key unit competence.

d) Learning activities

Activity 4.1

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners' different abilities. During this activity ensure that students have understood the instructions, prompt and probe them through question-and-answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's

work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answers to Activity 4.1

- Elaborating EAC Management Act
- Economic integration
- Common external tariff
- Free trade area
- Trade facilitation
- Automation

e) Application activities 4.1

Students analyse and discuss about the questions either in groups or in pairs and come up with possible answers. This activity may be given as a research question or homework.

Depending on the purpose of the application activity, choose an appropriate method to assess student's findings, answers or responses. Depending on the performance or results, you may decide to give remedial or extension activities.

Answers to application activity 4.1

Q1.

a) Rules of origin: those are criteria needed to determine the national source of product. It can be defined also as the law's regulation and administrative determination of the country of origin

b) There are two types of rules of origin:

- Preferential rules of origin
- Non –preferential rules of origin

Q2.

- a) True
- b) True
- c) False

Q3.

- It helps in the proper classification of goods
- Help to collect import and other duties.
- It facilitates the determination of the correct values for the goods
- It helps in the collection of accurate trade statistics

Q4.

Mineral products extracted from the soil or seabed of the member state

- Vegetable product harvested within member state
- Products obtained from live animals within member state
- Live animals born and raised within member state
- Products obtained from hunting or fishing conducted within member states
- Products from the sea, lakes, rivers within member states
- Products manufactured in a factory of a member state
- Scrap and waste resulting from manufacturing operations within a member state
- Materials containing no element imported from outside partner states which are of under-mined origin.

Lesson 2: Description of customs duties

a) Learning objective

- Identify the customs and the person who can import or export
- Identify on types of Customs duties
- Identify the valuation of imported and exported goods
- Identify the documents required when importing or exporting

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, RRA Tax Guide (2019), Protocol on the establishment of the East African Customs Union of 2004, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

In previous lesson, lesson 1 Students studied for EAC origin, objectives, That will help identify the customs and the person who can import or export, identify on types of customs duties, identify the valuation of imported and exported goods and identify the documents required when importing or exporting learnt in this lesson.

d) Learning activities

Activity 4.2

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners' different abilities. During this activity ensure that students have understood the instructions, prompt and probe them through question-and-answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be

got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answer to Activity 4.2

- Q1.** Customs duties are defined as all taxes, duties, levies and fees that are required to be paid to Revenue Authority on imported or exported goods.
- Q2.** A registered investor investing in products used in export processing zones shall be exempted from Customs taxes and duties according to the provisions of Customs rules and regulations of the East African Community.

Application activities 4.2

Students can be given an activity to discuss about the questions in groups, give clear instructions and ensure a balance in the groups. Students are to give a report of their findings. Monitor the activity to ensure students are on track and actively participating.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to application activity 4.2

Q1.

- Value Added Tax (VAT)
- Excise Duty
- Import Duty
- Withholding Tax of 5% (WHT 5%)
- Infrastructure Development Levy (IDL)
- Strategic Reserves Levy (SRL)
- African Union Levy (AUL)
- Export Duty on Raw Hides and Skins
- Computer Processing Fee
- Quality Inspection Fee (QIF)

Q2. The ReSW is an online portal aimed at facilitating trade by ensuring all trade related information required by government institutions is submitted only once. This reduces the compliance burden and time taken when importing or exporting goods. The ReSW also increases transparency by clearly showing when information was submitted, changed or approved, and by whom.

The ReSW is used by Clearing Agents, Customs Officials and other government institutions as required. Clearing Agents use the ReSW on behalf of taxpayers during the importing and exporting process.

Q3. Government imposes tax on importation to control what comes in the country and to reduce the difference in balance of payment by protecting local industries

Q4.

- a) XYZ enterprise sell to the local market and regional market because it located in East African community where we have EAC, etc...
- b) The money goes to the local businesses, which helps local market to grow.
 - It creates employment because local businesses employ people from the local community
 - The product does not need to be transported for long distance and pollution is therefore reduced Food grown locally is fresher than food that has been transported from somewhere else.
- c) The challenges that KAMANZI needs to overcome to sell fresh flowers to other countries are: Analyze the competitors in regional market.
Improve the quality of products

Lesson 3: The taxes that are specifically paid on imports

a) Learning objective

- Discuss Import Duty
- Identify withholding tax of 5% and explain infrastructure development levy Identify the taxable
- Discuss the Strategic Reserves Levy and African Union Levy
- Explain Motor Vehicle Registration Fees (MVF) and Road Toll
- Identify Fuel Levy and Export Duty on Raw Hides and Skins
- Identify Computer Processing Fee, Quality Inspection Fees (QIF) and Warehousing Fees

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, RRA Tax Guide (2019), Protocol on the establishment of the East African Customs Union of 2004, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 4.3

- Put students in small groups and give clear instruction about the activity
- Ask them to show the pictures in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings

Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when to compute the customs and consumption taxes to Discuss import duty, identify withholding tax of 5% and explain infrastructure development levy identify the taxable, discuss the strategic reserves levy and African union levy, explain motor vehicle registration Fees (MVF) and road toll ,identify fuel levy and export duty on raw hides and skins and identify computer Processing fee ,quality inspection fees (QIF) and warehousing Fees

Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 4.3

CET rates are:

- Capital goods and raw materials = 0%
- Intermediate goods = 10%
- Finished goods = 25%
- Sensitive Goods = Varying rate

e) Application activities 4.3

This activity can be given as a normal individual or group activity, where students to compute the customs and consumption taxes to Discuss import duty, identify withholding tax of 5% and explain infrastructure development levy identify the taxable, discuss the strategic reserves levy and African union levy, explain motor vehicle registration Fees (MVF) and road toll ,identify fuel levy and export duty on raw hides and skins and identify computer Processing fee ,quality inspection fees (QIF) and warehousing Fees

Monitor the activity to ensure students are on track and actively participating.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 4.3

Q1, CIF = (USD 30,000 + USD 400 + USD 150) * 850 = FRW 25,967,500.

Q2. C.I.F = 6,000 + 1,000 + 300 = 7,300 pounds * FRW 1,400 = FRW 10,220,000

Import duty = 7,300 * 0.25 = 1,825 pounds * FRW 1,400 = FRW 2,555,000

Handling fee

500kg * 10 = FRW 5,000

Total

FRW 12,780,000

VAT = 12,780,000 x 18% = FRW 2,300,400

Lesson 4: The excise duty (consumption tax)

a) Learning objective

- Explain the excise duty and the person required to register for excise duty
- Explain the obligations of excise registered taxpayers and valuation methods of excise duty
- Identify the taxable products, rates of excise duty and Compute Excise duty
- Explain the exemptions for excise duty
- Identify the deadline to declare and pay excise duty
- Identify Excise duty penalties and fines

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, RRA Tax Guide (2019), Protocol on the establishment of the East African Customs Union of 2004, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 4.4

- Put students in small groups and give clear instruction about the activity
- Ask them to read the scenario in student book and answer the questions provided in the activity

- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary for showing type of tax XYZ should pay and give the rate of excise duty for this product. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 4.4

- VAT, excise duty etc....
- The rate of excise duty for wine produced from local input is 30% applied on the turnover and the rate of VAT is 18% applied on turnover to.

e) Application activities 4.4

This activity can be given as a normal individual activity, where students Explain the excise duty and the person required to register for excise duty, explain the obligations of excise registered taxpayers and valuation methods of excise duty, identify the taxable products, rates of excise duty and Compute Excise duty

Monitor the activity to ensure students are on track and actively participating.

You make correction of papes Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 4.4

Q1.

Amount Amahoro must pay ad valorem Excise Duty =FRW 4,000,000 * 5% = FRW 200,000.

Q2.

The rates of excise duties can be charged on a 'specific basis', 'ad valorem basis' or 'mixed' basis

- A specific Excise Duty charges a certain amount of tax per unit of the product.
- ad valorem Excise Duty charges a percentage of the taxable value of the produc

- A mixed Excise Duty charges both a certain amount of tax per unit and as a percentage of the taxable value of the product

Q3.

C.I.F = 6,000 + 1,000 + 300 = 7,300 pounds * FRW1,400 = FRW10,220,000

Import duty = 7,300 * 0.25 = 1,825 pounds * FRW1,400 = FRW2,555,000

Handling fee = 500kg * 10 = FRW5,000

Total value = 10,220,000 + 2,555,000 + 5,000 = FRW12,780,000

VAT = 12,789,000 * 18% = FRW 2,300,400

Skills lab 4

Guidance on the skills lab activity. In conducting this skills lab activity, you can either invite a resource person (RRA for Customs officer) for students to interview him/her where needed.

i) Build

Given that students listen resource person (RRA for Customs officer)

- Remind students on the expected objective for the class attendance
- Help them to be grouped and remember to mix both boys and girls
- Let each team have the representative
- Ensure they have where to keep necessary notes from the findings
- Practice
- Guide students on listening resource person
- Ensure that all are listening
- Respond to any questions for clarification and support accordingly

ii) Present

- Choose randomly any two teams to present their findings
- Allow students to ask question to resource person or their follows

iii) Conclusion

The teacher emphasizes on the objective of the visit reminding students that they have to follow formula used to compute import and consumption tax accordingly.

The following are key areas for reference:

- EAC origin, objectives
- Description of customs duties
- The taxes that are specifically paid on imports
- The excise duty (consumption tax)

4.6. Summary of the unit

❖ EAC customs union origin

1. Meaning of the East African Community Customs Union

a. The East African Community (EAC) Customs Union

Meaning of customs union

The Customs Union is the first Regional Integration milestone and critical foundation of the East African Community (EAC), which has been in force since 2005, as defined in Article 75 of the Treaty for the Establishment of the East African Community.

The East African Community (EAC) Customs Union is formed of Kenya, Tanzania, Uganda, Burundi, Rwanda, Democratic Republic of Congo and South Sudan

b. Trade related aspects

- Rules of Origin
- National treatment
- Anti-dumping measures
- Subsidies
- Countervailing measures
- Safeguard measures
- Restriction and prohibitions to trade
- Re-exportation of goods
- East African Community Committee on Trade Remedies

2. The main features of EAC Customs union

- A shared set of import duties applied on goods from countries outside the EAC. This is referred to as the common External Tariff (CET)
- Zero rate of import duty, and no quotas, applied on goods from countries within the EAC with valid certificate of origin

- Shared procedures, safety measures, valuation methods, trade policy and terminology governed by the EAC Customs Management Act (CMA).

❖ **Description of customs duties**

Definition of Customs duties and the person who can import or export

3. Definition of Customs duties

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

❖ **Meaning of importing and exporting**

- **Importing** is when goods are brought into Rwanda from an external country.
- **Exporting** is when goods are taken from Rwanda into an external country.

The person who can import or export: any taxpayer may import or export goods.

Types of Customs duties:

1. Taxes paid on imports that are also paid on domestic goods
2. Taxes that are specifically paid on imports
3. Taxes that are specifically paid on exports
4. Small fees on imports and exports

❖ **Valuation of imported and exported goods**

Imports are valued as Cost, Insurance and Freight (CIF) while exports are released free on board (FOB)

❖ **The documents required when importing or exporting**

The importing or exporting taxpayer must provide the Clearing Agent with valid documents proving the value and authenticity of their consignment.

A. The mandatory documents that taxpayers importing goods originating from within the EAC must provide are:

1. Commercial Invoice or equivalent document

2. Packing List

B. There are two additional mandatory documents that taxpayers importing goods originating from outside the EAC must provide to RRA:

1. Freight Invoice
2. Bill of Lading / Airway Bill

C. Rates in force

The different import duty rates also allow for certain types of goods to be prioritized. In general, CET rates are:

- Capital goods and raw materials = 0%
- Intermediate goods = 10%
- Finished goods = 25%
- Sensitive Goods = Varying rate

❖ **The excise duty (consumption tax)**

Definition of excise duty and the person required to register for excise duty

1. Definition of excise duty

Excise duty is a tax applied to specific products.

2. The person required to register for excise duty

Any manufacturer of a product that is subject to Excise Duty is required to register for excise purposes, to declare it and pay for it.

❖ **The obligations of excise registered taxpayers**

- Submit an excise duty declaration and pay tax due within 5 days after the end of the tax period.
- Keep a register of raw materials to be used in manufacturing of taxable products.
- Notify RRA of any changes to business premises.
- Notify RRA, within ten (10) days, of any interruption to manufacturing activities
- Attach appropriate products with a tax stamp

❖ **Compute Excise duty**

The excise duty to be paid on a specific basis is calculated by an amount of tax per unit of the product. The excise duty to be paid on an ad valorem basis is calculated as follows:

Excise duty = (CIF + Import Duty + HF) * Excise Rate

❖ **The deadline to declare excise duty**

For the purposes of Excise Duty declaration, each month is divided into three tax periods:

- Tax Period 1 – From 1st to 10th of each month
- Tax Period 2 – From 11th to 20th of each month
- Tax Period 3 – From 21st to the end of each month

Excise Duty must be declared and paid within five days of the end of each tax period. This means it must be declared and paid by the 15th, 25th of that month and 5th of the following month.

Meaning of tax stamps

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

4.7. Additional information for teachers

Additional Information

- **Customs administration** involves the management of imports and exports.

Objectives of the Customs Services Department:

The primary function of Customs Services Department is to assess, collect and account for import duties and taxes due on imports. Apart from its fiscal responsibilities, 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;
- v. Take all actions necessary to identify and combat evasion of duties

and to combat fraud in its many forms;

- vi. Ensure efficiency and effectiveness of the Customs Services department through enhanced management controls, training and increased accountability.

Import Procedures

In order to facilitate trade, RRA Customs Services Department adopted some special regimes. These include, Direct Delivery, Clearance on Truck, and Quick Release Regime offloads and Re-load of goods.

Quick Release (Q.R): Quick release can be classified into two that is; quick release with deposit and quick release without a deposit.

Quick Release with Deposit

This is where goods can be granted quick release after payment of the deposit, such goods include:

- Perishable goods
- Factory machinery spare parts or other factory material that may stop the functioning of the factory in case of shortage
- Goods with doubtful origin in case investigations are being conducted on the certificate of origin
- Fragile goods that can be damaged when offloaded e.g. glasses
- Goods that are not offloaded in Kigali due to Contracts between the importer and the transporter e.g. Malt for BRALIRWA offloaded at GISENYI.

Quick Release without Deposit

This is where the goods are granted Q.R special regime without payment of the deposit. These goods include the following:

- Goods exempted from payment of duties and taxes
- Goods that belong to the Government of Rwanda
- Bank coins and notes

Clearance of Goods on Truck (“D.S.C”)

Goods, which can be granted this regime, fall into:

- i. Identical goods that can be easily identified and verified when loaded on the trucks e.g. Sugar and Rice.

- ii. Goods that are not allowed in the Public Warehouse due to their nature e.g. Cement and Salt.
- iii. Heavy and bulky items that can be easily identified and examined when loaded on the trucks e.g. Machines and rolls for making iron sheets

Trade Liberalisation

Internal Tariff

1. As provided in Article 11 of the Protocol, the Partner States eliminate all internal tariffs and other charges of equivalent effect on trade among them, in accordance with the provisions of Article 14 of the Protocol.
2. The Council may, at any time, decide that any tariff rate should be reduced more rapidly or eliminated earlier than is provided for in accordance with paragraph 1 of Article 11.

Common External Tariff

1. The Partner States hereby establish a three-band common external tariff with a minimum rate of 0 per centum, a middle rate of 10 per centum and a maximum rate of 25 per centum in respect of all products imported into the Community.
2. The Partner States hereby undertake to review the maximum rate of the common external tariff after a period of five years from the coming into force of the Customs Union.
3. The Council may review the common external tariff structure and approve measures designed to remedy any adverse effects which any of the Partner States may experience by reason of the implementation of this part of the Protocol or, in exceptional circumstances, to safeguard Community interests.

Exportation or importation by post office and other recognised agencies

Importation and Exportation by Post, the Commissioner of RRA may waive entries for goods imported by post:

- 1) Where goods are imported in postal articles, the Commissioner may in his or her discretion, accept the Customs declaration on the form provided by the postal administration in the country of origin, for the purpose of assessing the duty on the goods, in lieu of the entry

required under the provisions of the customs laws.

- 2) In the case of goods exported by post, any form or label affixed to the parcel on which a description of the contents and their value is declared shall be deemed to be the entry required under the Act.

Customs Declaration on Postal Articles

- 1) A Customs declaration made by a sender of goods imported by parcel post should be accompanied, or be securely attached to each parcel or to one of the parcels where the goods are packed in more than one parcel.
- 2) The declaration should give an accurate description of the quantity or weight, the country of origin and value of the contents of the parcel or consignment.
- 3) Where the parcel contains goods of a commercial nature, an invoice or a statement showing full particulars of the goods should be enclosed in the parcel; and where the goods are enclosed in two or more parcels, an invoice or a statement showing full particulars of the goods should be enclosed in one of the parcels, which should be clearly marked "invoice or statement enclosed".
- 4) Where the invoice or statement cannot be conveniently enclosed inside the parcel, it should be securely attached to it.

Production of Postal Articles

- 1) All postal articles should, where the Commissioner so requires, be produced by an officer of the post office to a proper officer for examination, either at the port of arrival in, or departure from the Community, as the case may be, or at any other place in the Community as the Commissioner may direct.
- 2) For the purpose of production of postal, the officer of the post office should be deemed to be the agent of the importer or exporter.

4.8. End unit assessment (answers)

Q1.

- a. Rules of origin:** are the criteria used to establish and authenticate the nationality of a product. They are used to determine whether imported products will receive preferential treatment or not
- b. Certificate of origin:** is a document used to establish the authenticity of the originating country of items being shipped (imported/exported)

c. Country of origin: the country where the product was manufactured or last underwent a substantial change or modification.

d. Risk management: refers to the systematic application of management procedures and practices which provide customs with the necessary information to address movements or consignments that present a risk.

e. Customs offence: Means any breach or attempted breach of customs laws.

f. Import duties: Means any customs duties and other charges of equivalent effect levied on imported goods;

Q2. CIF (Cost, Insurance and Freight) = 50,000 USD x FRW 880 = FRW 44,000,000

Import duty = 44,000,000 x 25% = 11,000,000

Excise tax = (44,000,000 + 11,000,000) * 70% = 38,500,000

Q3. The excise tax on Cigarette is calculated on the retail price.

Retail value 2,000,000 packets x FRW 1000 = FRW 2,000,000,000

Excise tax = FRW 2,000,000,000 x 36% + (2,000,000 packets x FRW 130) = FRW 980,000,000

Q4.

- COMESA certificate of origin (goods for COMESA market)
- EAC certificate origin (goods for EAC market)
- Simplified certificate of origin
- EURO certificate of origin (goods for European)

Q5.

- Preferential trade area
- Free trade area
- Customs union
- Common market
- Economic monetary union
- Political federation

Q6.

Customs union occurs when a group of countries agree to eliminate tariffs between themselves and set a common external tariff on import from the

rest of the world, while a common market establishes free trade in goods and service, set common external tariffs among members and also allows for the free mobility of capital and labor across countries.

Q7.

- It helps to solve trade disputes between member states in terms of trade policy
- It facilitates the determination of correct value of goods
- They are used for compiling the economic statistics
- They are used to determine tariff treatment (preferential) development issues
- Rules of origin are uncontroversial and mental tools for implementing discriminatory trade policies

Q8. Proposed answer

a) Import taxes

Rwanda is a member of the East African Community (EAC) and therefore the country's customs tax regime is governed by the East African Community Customs Management Act ("EACCMA") and the Common External Tariff (CET). Generally, the taxes applicable on importation of goods are:

- i. Import duty ranging from 0% to 25%;
- ii. Value added tax (VAT) of 18%;
- iii. Consumption tax/Excise duty ranging from 5% to 150%;
- iv. Withholding tax (WHT) of 5%;
- v. Infrastructure Development levy (IDL) of 1.5%;
- vi. Quality Inspection Fees (QIF) of 0.2%
- vii. African Union fees of 0.2%

b) Computation of import taxes in computing import taxes, the following order is adopted by the customs department:

- Import duty is levied on the CIF value
- Consumption tax is levied on the CIF value + import duty
- VAT is levied on CIF value + import duty + consumption tax
- WHT is levied on CIF value
- IDL is levied on CIF value

- QIF is levied on CIF value
- AU fess is levied on CIF value

Below is computation of the import taxes applicable on imported goods with CIF value equivalent to FRW 100,000. I have assumed a 25% import duty and 5% consumption tax is applicable on the imported goods.

Details	Duty/Tax calculation	FRW
Import duty	$(100,000 * 25\%)$	25,000
Consumption tax	$(100,000 + 25,000) * 5\%$	6,250
VAT	$(100,000 + 25,000 + 6,250) * 18\%$	23,625
WHT	$(100,000 * 5\%)$	5,000
IDL	$(100,000 * 1.5\%)$	1,500
QIF	$(100,000 * 0.2\%)$	200
AU Levy	$(100,000 * 0.2\%)$	200
Total tax on goods imported		61,775

c) The main features of the East African Customs Union include the following:

According to the EAC Customs Union Protocol and its annexures, Common Customs Law (and regulations) and the Treaty, the main features of the EAC Customs Union are:

- A common set of import duty rates applied on goods from third countries (Common External Tariff, CET).
- Duty-free and quota-free movement of tradable goods within the customs territories.
- Common safety measures for regulating the importation of goods from third parties e.g., food standards.
- A common set of customs rules and procedures including documentation.
- A common coding and description of tradable goods (Common Tariff Nomenclature, CTN).
- A common valuation method for tradable goods for tax (duty) purposes (Common Valuation system).

- vii) A structure for collective administration of the Customs Union.
- viii) A common trade policy that guides the trading relationships with third countries/trading blocs outside the EAC Customs Union i.e., guidelines for entering into preferential trading arrangements such as Free Trade Area's etc. with third parties.

d) Explaining the EAC rules of Origin

- For purposes of the East African Custom's protocol, goods are accepted as eligible for EAC tariff treatment if they originate in the Partner States;
- Goods are considered to originate in the Partner States if they meet the criteria set out in the Rules of Origin. For the purposes of implementing these Rules, the EAC Partner States are considered as one territory.

Origin Criteria

Goods are accepted as originating in a Partner State if the goods are

- i. Wholly produced in the Partner State;
- ii. Produced in the Partner State incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the Partner State.

4.9. Additional activities

4.9.1. Remedial activities

Q1. Akandi limited produced 30,000 boxes of water. The factory price is FRW 2,500 per box. Compute the excise tax

Q2. What is EAC rules of origin?

Q3. State the purpose of certificate of origin

Possible answer

Q1. The factory value = 30,000 Boxes * FRW 2500 = 75,000,000
Excise tax 75,000,000 * 10% = 7,500,000

Q2. EAC rules of origin refers to the sent criteria used to destination between goods that are produced within the EAC customs.

Q3.

- To verify the country in which goods were manufactured.
- Determination whether the certificate of origin is needed depends on the commodity being exported in its destination.

4.9.2. Consolidation activities

Q1. Mugisha is a business man in Kigali, during the month of June he imported 30,000Kg of powdered milk from Denmark. The FOB was 30,000USD, marine insurance 4,500USD and transport to Mombasa was 8,000USD. The exchange rate for the period was 1USD = 830RWF.

TAX	Rate
Excise tax	10%
Import duty	25%

Required compute the import duty

Possible answer

$$\text{CIF} = \text{FOB} + \text{I} + \text{F}$$

$$\text{CIF} = 40,000 + 4,500 + 8,000 = \mathbf{52,500 \text{ USD}}$$

$$\text{Change in FRW} = 52,500 \text{ USD} * \text{FRW } 830 = \mathbf{FRW43, 575,000}$$

$$\text{Import duty} = \text{CIF} * \text{Rate}$$

$$\text{FRW}43, 575,000 * 25\% = \mathbf{FRW 10, 893,750}$$

$$\text{Excise tax} = (\text{CIF} + \text{import duty}) * 10\%$$

$$\text{Excise tax} = (\text{FRW } 43,575,000 + \text{FRW}10,893,750) * 10\% = \mathbf{FRW 5,446,875}$$

4.9.3. Extended activities

Question

Zu-Kang Ltd is a Chinese Vehicles and other merchandize dealer that has recently opened operations in Rwanda, strategically to target future green mobility due to recent incentives on Electric Vehicles. The Company has recently imported different consignments with details below:

- 2 Containers of high-quality wines for whole sale purposes in Rwanda from South Africa, each container carries 2,000,000 Litres of Wine, with each Liter purchased at \$5 from the factory in South Africa, price includes sea flight & port charges to Dar es Salaam port.

- 2 Containers of hybrid electric saloon cars imported from China, at a cost of \$14,000 per unit CIF-Kigali. Each container carries 3 units.

Consider the following; - Road transport + Insurance from Dar es Salaam port to Kigali is \$2,000 per container - The exchange rate to be used is FRW 1,250: USD - Import duty is 25%

Required: Calculate the related import taxes on the importation of wines consignment?

Proposed solution

Details	Volume
Containers	2
Litres per container	2,000,000
Total Volumes (Litres)	4,000,000
Price per Litres (\$)	5
Total cost to port Dae es Salama (\$)	20,000,000
Total cost in FRW - Port Dar es Salaam @ exchange rate of FRW 1,250: USD	FRW 25,000,000,000
CIF cost	FRW 25,000,000,000
Import duty @25%	FRW 6,250,000,000
	FRW 31,250,000,000
Excise duty (70% on wines)	FRW 21,875,000,000
	FRW 53,125,000,000
Import VAT (18%)	FRW 9,562,500,000

5.1. Key unit competence: Compute VAT and file returns in a timely manner

5.2. Prerequisite (knowledge, skills, attitudes and values)

Learners were introduced in senior 2 (unit 5) to the Taxes in Rwanda, in senior 3 (unit 5) to the role of Rwandan customs procedures for the lesson called different types of taxes taxation s4 accounting (Unit 1) to introduction to Rwanda tax system. So, with this prior knowledge, skills, attitudes and values it should help them to appreciate the importance of VAT in revenue collection.

5.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the cross-cutting issues where possible taking consideration of their environment or community around them.

Environment and sustainability: Environment is one of the greatest factors that can affect both positively or negatively any business activity and one cannot start up a business without the environment. Therefore, great care for environment is crucial. Students are to be advised on the importance of environmental protection and the importance of VAT in increasing government revenue while promoting other environmentally friendly businesses e.g. use of renewable energies (solar energy).

Gender education: Emphasis throughout this unit has to be put on how both males and females have the equal opportunities to understand and Compute VAT and file returns in a timely manner. So that this will encourage people to take the first step in paying their VAT to the government.

Inclusive education: In addition to all having equal opportunities to carry out business activities, emphasis has to be put on how we all regardless of our background, economic or social setup have right to develop an ethical understanding of Rwandan system that do not discriminate. Students need to understand that the VAT should not discriminate but promote inclusiveness of all etc.

Peace and Values: You need to emphasize to learners the need to live in peace and harmony with others. Students need to appreciate the importance of VAT in revenue collection in promoting peace and patriotism in the community avoiding activities that are illegal e.g. smuggling and make sure that every trade they plan to have is legal and contributes to national development goals.

Standardization culture: You need to emphasize to students the need for standard in a business legal aspect. This will help them to abide by standards of VAT as prospective business legal aspects.

5.4. Guidance on introductory activity

Follow the guidance about the introductory activity:

Students in small groups, pairs or individual read and analyse the scenario and analyse the type of tax that will be paid by that client who is shopping? , why is that client who is supposed to pay that tax not HABANA?, At the end of the month, accountant make some computations related to tax for complying, which computations do you think an accountant is supposed to do?, for the image cashier is giving a paper to client, what is the type of that paper and try to list information appear on that paper. Within products sold by HABANA Supermarket, are there any products exempts to the tax? Which type of that tax?

During the activity, make sure everyone is following and actively participating. Those who are not acting may have to listen attentively without disturbing and should applaud the actors after.

Students share their findings, responses or answers to the activity using an appropriate method such as group presentation, pair-share or large group discussion. Ensure all students are given an opportunity to give their views and should be respected.

Appreciate the team's presentations and remind them that this activity was not meant come to the very right answers but to help them become aware of what to expect in the unit. Answers to the activity will be got as the unit progresses. Guide them to take notes in their books referring to learners' book. You can support student's answers by referring to possible answers to the introductory activity below:

Possible answers for introductory activity (case study)

Note: These responses may be shared or not with the students. They are specifically to guide you while harmonizing students' responses during presentation.

1. VAT, Because VAT law says that VAT is paid by last consumer not trader.
2. Accountant is doing computations related to VAT, by calculating input VAT and output VAT, at the end he finds if he will be in VAT payable position or in VAT refund position.
3. The paper above is EBM Invoice receipt. It shows the following information:
 - The word 'tax invoice', in a prominent place
 - The name of the supplier
 - The address of the supplier
 - The VAT registration number of the supplier
 - The serial number of the invoice
 - The and date the invoice was issued
 - The quantity or volume of the goods or services supplied
 - A description of the goods of services supplied
 - The selling price, excluding VAT
4. Education Materials are exempted to VAT tax

5.5. List of lessons/sub-heading

Headings	#	Lesson title/ sub-headings	Learning objectives	Number of periods
Description of the value added tax		Introductory activity	Arouse the curiosity of students on the content of unit 5.	1
	1	Definition of the value added tax	Identify definition of the value added tax	4
	2	Key terminology for VAT	Explain key terminology for VAT	3
	3	Goods and services	Identify the Goods and services,	2
	4	Compensation	Explain Compensation with the examples	2
	5	Exempted and zero-rated goods and services	Identify Exempted and zero-rated goods and services	4
5.2. VAT registration compliance	1	Registration laws related on Vat	Identify the Registration laws related on Vat	3
5.3.VAT Computation	1	input and output vat	Explain and compute the input and output vat	4
	2	General apportionment method	Identify General apportionment method	1
	3	Attribution method	Justify the direct attribution method and Special method	2

5.4 . VAT offences, VAT penalties and fines	1	VAT offences	Explain VAT evasion and VAT avoidance	2
	2	VAT penalties and fines	Justify VAT penalties and fines	4
5.5 End unit assessment				3

Lesson 1: Description of the value added tax

a) Learning objective

- Identify definition of the value added tax
- Explain key terminology for VAT
- Identify the Goods and services,
- Explain Compensation with the examples
- Identify Exempted and zero-rated goods and services

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, Official gazette, RRA Tax Guide (2019), text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objective link to the key unit competence.

d) Learning activities

Activity 5.1

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners' different abilities. During this activity ensure that students have understood the instructions, prompt and probe them through question-and-answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answers to Activity 5.1

The VAT inclusive price means the price of the goods or service including VAT.

The VAT exclusive price means the price of the goods or service that is not the final cost, to which VAT has not yet been added.

a) Application activities 5.1

Students analyse and discuss about the questions either individual, groups or in pairs and come up with possible answers. This activity may be given as a research question or homework.

Depending on the purpose of the application activity, choose an appropriate method to assess student's findings, answers or responses. Depending on the performance or results, you may decide to give remedial or extension activities.

Answers to application activity 5.1

Q1.

a) Definition of VAT:

- VAT is an indirect tax which is paid at every stage of production in increasing the value of a product
- The one who is liable to pay the VAT is the final consumer.

b) Characteristics of VAT:

- VAT is tax on expenditure paid by the last consumer
- VAT is neutral tax (the taxpayer recovers the whole of VAT).
- VAT is a transparent tax
- It is indirect tax because its incidence can be shifted to another person. It is paid when there is transaction occurred.
- It is paid on the value of goods & services supplied.
- It is multistage tax
- Its standard rate is 18% in Rwanda
- It is proportional tax
- It is paid by final consumer

Q2.

$$\text{VAT} = \frac{18}{118} * \text{FRW } 1,416,000 = \text{FRW } 216,000$$

Q3.

i. Zero-rated goods and services

- Exported goods and services
- Goods and services intended for diplomats accredited to Rwanda that are used in their diplomatic missions provided those countries give the same privileges to Rwandan diplomats
- Goods and services intended for international organizations that have signed agreements with Rwanda
- Goods and services intended for projects funded by partners that have signed agreements with the Government of Rwanda.

ii. Exempted goods and services

- Goods and services related to health purposes
- Educational materials and services
- Books, newspapers and magazines
- Transportation services
- Financial and insurance services
- Energy supply equipment
- Unprocessed agricultural and livestock products
- Locally processed milk
- Industrial machinery
- Mobile telephones and SIM cards.

Lesson 2: VAT Registration compliance

a) Learning objective

Identify the Registration laws related on Vat

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

In previous lesson, lesson 1 Students studied description of the value added tax that will help to d

Identify the registration laws related on VAT leant in this lesson.

d) Learning activities

Activity 5.2

- Put students in small groups and give clear instruction about the activity
- Ask them to observe the pictures in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings

- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when identify the Registration laws related on VAT. answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 5.2

Turnover required for VAT registration:

- On quarterly basis : FRW 5,000,000 (realized during the previous quarter)
- On annual basis : FRW20,000,000 (realized during the previous year)

e) Application activities 5.2

This activity can be given as a normal individual activity, where Identify the Registration laws related on Vat. Monitor the activity to ensure students are on track and actively participating.

You make correction of papes Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to application activity 5.2

Q1. Turnover required for VAT registration:

- On quarterly basis :FRW 5,000,000 (realized during the previous quarter)
- On annual basis : FRW20,000,000 (realized during the previous year)

Q2.

- a. True
- b. False
- c. False
- d. True

Lesson 3: VAT Computation

a) Learning objective

- Explain and compute the input and output vat
- Identify General apportionment method
- Justify the Attribution method

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, RRA Tax Guide (2019), text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 5.3

- Put students in small groups and give clear instruction about the activity
- Ask them to show the pictures in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings

Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when to explain and compute the input and output vat, identify general apportionment method, justify the attribution method

Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 5.3

Q1.

Input VAT is a VAT on purchase While Output VAT is a VAT on sales

Q2.

- i. **VAT payable:** is the difference between Output VAT and input VAT
- ii. Output > input
- iii. **VAT Refundable:** is when input VAT is greater than output VAT received
- iv. **VAT claimable:** is VAT claimed by a legal trader when he /she has paid input VAT to the supplier in case of selling she/he didn't collect output VAT from final consumer/customer

e) Application activities 5.3

This activity can be given as a normal individual or group activity, where students explain and compute the input and output vat, identify general apportionment method and justify the attribution method

Monitor the activity to ensure students are on track and actively participating.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 5.3

Q1.

$$\text{VAT} = \frac{18}{118} * \text{FRW } 800,000 = \text{FRW } 122,034$$

Q2.

S/N	Items	Quantity	Total	VAT	AMOUNT
1	Flour	500 kg	25,000	4,500	29,500
2	Rice	100 kg	60,000	10,800	70,800
3	Akandi	288 kg	73,220	13,180	86,400
			158,220	28,480	186,700

Q3.**a) In put VAT**

		FRW
Cost of goods		2,450,000
Customs duties paid	24,500,000*10%	245,000
Value supply (VAT exclusive)		2,695,000
VAT (18% of FRW 2695000)		485,000
Total input VAT inclusive		3,180,000
b)Total output VAT		
Total import VAT Exclusive		2,695,000
Add Transport		110,000
Commission of (5% of FRW 2,450,000)		122,500
Total output exclusive VAT		2,927,500
VAT output (18%)		526,950
VAT PAYABLE		41,950
Output VAT - Input VAT		
FRW 526,950 – FRW 485,000		

Q4.

$$\text{Output VAT} = \frac{7,080,000 \times 18}{118} = \text{FRW } 1,080,000$$

$$\text{Input VAT} = \frac{7,080,000 \times 18}{118} = \text{FRW } 198,000$$

$$\text{VAT payable} = 1,080,000 - 198,000 = \text{FRW } 882,000$$

Lesson 4: VAT offences, VAT penalties and fines**a) Learning objective**

- Explain VAT evasion and VAT avoidance
- justify VAT penalties and fines

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, office gazette, text books, RRA Tax Guide (2019), resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 5.4

- Put students in small groups and give clear instruction about the activity
- Ask them to observe the pictures in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings

Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when Explain VAT evasion and VAT avoidance and justify VAT penalties and fines

- Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 5.4

Tax related offences punishable are:

- i. Non registration with VAT
- ii. Non use of Electronic Billing Machine (EBM)
- iii. Late declaration
- iv. Late payment
- v. Declaring less than the corrected tax due
- vi. Paying less than the tax due declared

e) Application activities 5.4

This activity can be given as a normal individual or group activity, where students discuss the right and obligation of taxpayer. Monitor the activity to ensure students are on track and actively participating.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 5.4

Q1.

- a. **Penalties:** punishment for someone doing something that is against law
- b. **finer:** is the amount of money that the court of law or other authority decides has to be paid as punishment for the crime or offense.

Q2.

It is important to note that taxpayers are still required to pay any taxes or penalties within the original deadlines. Failure to do so will result in penalties and interest applying as normal. If the appeals are successful, taxpayers will receive refunds or credit notes

Q3.

Fine of 10% to 60% of the late paid amount (depending on the days of delay); Interest of 1.5% monthly and administrative fine of 100,000 to 500,000 depending of the size of the business

Q4. Ubumwe's penalty for declaring late is:

- FRW 80,000 x 20% = FRW 16,000
- FRW 80,000 x 1.5% x 1 month = FRW 1,200 interest
- FRW 100,000 administrative fine

In addition to the FRW 80,000 tax due, Ubumwe must pay: FRW 16,000 + FRW 1,200 + FRW 100,000 = FRW 117,200.

Skills lab activity 5

Guidance on the skills lab activity. In conducting this skills lab activity, you can either invite a resource person (RRA) for students to interview him/her where needed.

i) Build

Given that students listen resource person (Accountant)

- Remind students on the expected objective for the class attendance
- Help them to be grouped and remember to mix both boys and girls

- Let each team have the representative
- Ensure they have where to keep necessary notes from the findings

ii) Practice

- Guide students on listening resource person
- Ensure that all are listening
- Respond to any questions for clarification and support accordingly

iii) Present

- Choose randomly any two teams to present their findings
- Allow students to ask question to resource person or their follows

iv) Conclusion

The teacher emphasizes on the objective of the visit reminding students that they have to follow formula used to vat payable accordingly.

The following are key areas for reference:

- Description of the value added tax
- The Nature of supplies
- VAT registration compliance
- VAT offences, VAT penalties and fines

5.6. Summary of the unit

• Definition of the value added tax

VAT is the tax charged on turnover at each stage in a production process, but in such a way that the burden is borne by the final consumer.

Example: Wholesale Retail Last consumer.

• The tax rate of VAT

The normal rate of VAT is 18%. There is also a zero-rate (0%) and exemptions applicable for certain types of goods and services.

• Characteristic of VAT

- VAT is a consumption tax i.e. the consumer of taxable goods or services pays VAT.
- VAT is an indirect tax.

- c) VAT is a multi-stage tax of transaction from importer or manufacturer to a wholesaler and finally to the consumer.
- d) Its standard rate is 18% in Rwanda
- e) It is proportional tax

- **Key terminology for VAT**

1. **Tax period**

Value added tax period: calendar month or quarter.

purpose or used as exempted goods and services occurs on the date on which goods or services are consumed.

2. **The deadline to declare and pay VAT**

The quarters for taxpayers declaring VAT on a quarterly basis concern the tax period between:

- March 1st to May 31st must be declared and paid by 15th June.
- June 1st to August 31st must be declared and paid by 15th September.
- September 1st to November 30th must be declared and paid by 15th December.
- December 1st to February 28th (or 29th if a leap year), must be declared and paid by 15th March.

3. **Tax point**

A tax point is the date on which VAT becomes due on a particular transaction.

The tax point depends on several factors, such as:

- Whether the business is invoice accounting or cash accounting for VAT.
- When the goods were supplied or the services carried out.
- When the VAT invoice was issued to the customer.

- **VAT Inclusive**

The VAT inclusive price means the price of the goods or service including VAT.

- **VAT Exclusive**

The VAT exclusive price means the price of the goods or service that is not the final cost, to which VAT has not yet been added.

- **Application of VAT inclusive or VAT exclusive price of taxable goods and services**

d) VAT inclusive

$$\text{VAT} = \frac{\text{COST OF GOOGS} * \text{VAT Rate}}{100 + \text{VAT Rate}}$$

e) VAT exclusive

$$\text{VAT} = \frac{\text{Cost of goods} * \text{Vat rate}}{100}$$

- **Zero-rated goods and services**

Article 5 of Law N° 37/2012 of 09/11/2012 establishing the value added tax is modified and complemented as follows:

He following goods and services shall be zero-rated:

1. exported goods and services;
2. minerals that are sold on the domestic market;
3. international transportation services of goods entering Rwanda and transportation services of goods in transit in Rwanda to other countries, including related services;
4. goods sold in shops that are exempted from tax as provided for by the law governing customs;
5. services rendered to a tourist for which value added tax has been paid;

VAT Computation

1. Input vat

Input VAT is the VAT on purchases

2. Output Vat

Output VAT is the VAT on the sales.

VAT payable or claimable = output VAT – input VAT

- **Value added tax refund**

VAT offences, VAT penalties and fines

- VAT offences
- VAT evasion
- VAT avoidance

5.7. Additional information for teachers

Input VAT Allowance

An input tax is allowed when the taxable goods are acquired or imported. However, if at the time of a value added tax declaration for a tax period in which an input tax would otherwise be allowed under this Law, a taxpayer who does not have the relevant documents for input tax claim, the input tax is not allowed in that period but instead it is allowed in the first value added tax period in which the taxpayer holds such documents provided that they are not exceeding two (2) years after the time of the taxable goods are acquired or imported for which the credit relates.

VAT Refund

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. When tax administration receives excess payment of taxes from any taxpayer, it cross checks the documents of the tax filed and verifies the cause of over payment, and the surplus amount discovered is what is referred to as tax refund.

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, on receipt of the relevant tax return document within thirty (30) days:

1. After one day from the expiry of the prescribed period for tax declaration;
2. After receipt of proof of the last outstanding tax declaration

Prior to payment, the Commissioner General may order for verification of the claim for refund or deduction submitted to him/ her. In such a case, the period for the response to be communicated shall not exceed three (3) months from the date when the claim was lodged.

For Large Taxpayers

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 2,000,000 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.

For Medium Taxpayers

When the amount to be refunded is less than FRW 100,000, the taxpayer shall deduct that amount during the next filing period;

When the amount to be refunded is between FRW 200,000 and FRW 1,000,000, as well as the money that was retained by the Office of the treasury, the taxpayer shall be refunded that money by the Rwanda Revenue Authority before any audit is carried out.

For Small Taxpayers

When the amount to be refunded is less than FRW 50,000, the taxpayer shall deduct that amount during the next filing period;

When the amount to be refunded is more than FRW 50,000 and less than FRW 500,000, the authority refunds that amount with immediate effect;

When a taxpayer requests for refund of more than FRW 500,000, for more than three consecutive times, the RRA carries out an audit to verify the validity of refund request; and this is done in a period of three months

When a taxpayer requests for refund of more than FRW 500,000, before that money is refunded, the RRA carries out an audit to verify the validity of refund request. Prior to the audit, the taxpayer is informed in writing of the audit to be done in not less than seven working days

Privileged and exempted persons such as diplomats, projects funded by international organizations and Non-Governmental Organizations that have a convention with the Government of Rwanda of not paying taxes are refunded the money paid as VAT not less than ten working days after filing the form obtained at RRA offices.

The requirements include an authentic document allowing him/her that exemption or a service card for these Diplomats representing their countries in Rwanda, copies of all invoices and proof of payment for an amount more than FRW 100,000.

Taxable Persons

The term 'person' includes individuals, partnerships (which are treated as single entities, ignoring the individual partners) and companies. If a person is in business making taxable supplies, then the value of these supplies is called the taxable turnover. If a person's taxable turnover exceeds certain limits then he is a taxable person and should be registered for VAT.

❖ VAT Reverse Charge

If tax payer consumes a service from abroad (imported service) he/she pays input vat on that service and if that service was existing locally in Rwanda that input vat will not be allowable but if they prove that a service was not supplied in Rwanda a tax payer will be refunded the input vat, that is what we call VAT reverse charge.

5.8. End unit assessment (answers)

Q1. VAT registered taxpayers must:

- Display clearly the VAT registration certificate in plain view at the place of business.
- Use an Electronic Invoicing System (EIS), a type of EBM to issue VAT invoices.
- Issue an EBM invoice to all customers with every transaction.
- Submit a monthly or quarterly VAT declaration within fifteen days after the end of the tax period.
- Be available at all times to receive RRA officers and to make available books of accounts.

Q2. Requirements of a valid tax invoice are:

- The word 'tax invoice', in a prominent place
- The name of the supplier
- The address of the supplier

- The VAT registration number of the supplier
- The serial number of the invoice
- The and date the invoice was issued
- The quantity or volume of the goods or services supplied
- A description of the goods of services supplied
- The selling price, excluding VAT
- The total amount of VAT charged
- The selling price, including VAT.
- Attached to EBM receipt.

Q3. Exempt Supplies: Are goods or services exonerated on tax-by-tax Administration

While **zero –rated supplies** are goods or services paid to zero rated

$$\text{Q4. Input VAT} = \text{FRW } 750,000 * \frac{18}{100} = \text{FRW } 135,000$$

$$\text{Output VAT} = \text{FRW } 1,062,000 * \frac{18}{100} = \text{FRW } 162,000$$

$$\text{VAT to be paid} = \text{FRW } 162,000 - \text{FRW } 135,000 = \text{FRW } 27,000$$

Q5. Since there is no similar service that is available in Rwanda, the VAT is considered an input VAT Input VAT = FRW 20,000,000 * $\frac{18}{118}$ = FRW 3,050,845

Q6. CIF = FOB + I + F

$$\text{CIF} = 40,000 + 4,500 + 8000$$

$$52,500 * 830 = \text{FRW } 43,575,000$$

Import duty = CIF x rate

$$43,675,000 * 25\% = \text{FRW } 10,918,750$$

$$\text{Excise tax} = (\text{CIF} + \text{import duty}) (43,675,000 + 10,918,750) 10\% = \text{FRW } 5,459,375$$

$$\text{Port charges (10FRW per kilogram) } 30,000 \times 10 = 300,000$$

$$\text{VAT} = (\text{CIF} + \text{import duty} + \text{excise tax} + \text{port charges}) 18\%$$

$(43,675,000 + 10,918,750 + 6,459,376 + 300,000) 18\%$

VAT = FRW 10,809,563

Q7.

a) VAT ACCOUNT

DR		VAT ACCOUNT			CR
Date	Account	FRW	Date	Account	FRW
Input VAT			Output VAT		
1-Jan	Mukiza	36,000	1-Feb	Gasabo	27,000
1-Apr	Cash	21,600	1-Mar	Dubai	45,000
1-Feb	Import	18,000	20-Jan	Ganza	18,000
1-Feb	Telephone	11,340	31-Jan	Musoni	45,000
31-Jan	Electricity	36,000			
Balance		12,060			
Total		135,000	Total		135,000

b) VAT paid to RRA: FRW 12,060

Q8. Correct amount to be paid: $\frac{120,000}{90} * 100 = \text{FRW } 133,333$

Or use equation: $120,000 + 10\% X = X$

$$X = \frac{120,000}{0.9} = \text{FRW } 133,333$$

Amount paid: FRW 120,000

Unpaid amount: FRW 13,333

Rate of unpaid amount: $(13,333/133,333) * 100 = 10\%$

Penalty: $13,333 * 0.1 = 1,333$

Interest $13,333 * 1.5\% * 3 = 600$

Administrative fine FRW 100,000

Total amount to pay: $13,333 + 1,333 + 600 + 100,000 = \text{FRW } 115,266$

5.9. Additional activities (Questions and answers)

5.9.1. Remedial activities

Q1. Shanika is a business woman in Kigali. During the quarter ended 31/5/2018, she hired a foreign consultant to install new business management software; similar consultants who can offer similar services are available in Rwanda. The consultant was paid FRW 10,000,000 exclusive of VAT compute the VAT.

Q2. John sold the goods 200,000 to Moses and he offered him a discount of 1%. Determine the amount of VAT to be paid.

We first determine the amount of discount and then we determine VAT on net of discount.

Q3. From the following details, calculate VAT paid by each taxpayer (VAT inclusive)

	Supplier	Manufacturer	Retailer
Purchase	2,500,000	3,700,000	4,300,000
Sales	3,700,000	4,300,000	5,000,000

Proposed Answers:

Q1. Since similar services can be offered in Rwanda then it is considered as an output VAT
 $\text{Output VAT} = \text{FRW } 10,000,000 * 18\% = \text{FRW } 1,800,000$

Q2. Net of discount = $\text{FRW } 200,000 - (\text{FRW } 200,000 * 1\%) = \text{FRW } 198,000$

Then we Apply 18% VAT = $\text{FRW } 198,000 * 18\% = \text{FRW } 35,640$

Q3.

	input	output	VAT Paid
supplier	381355.9322	564406.7797	183050.8475
manufact	564406.7797	655932.2034	91525.42373
retailer	655932.2034	762711.8644	106779.661

5.9.2. Consolidation activities

Q1. CIMERWA produces cement. During a fiscal year 2020, this company produced and sold to SENEZA at FRW 472,000 VAT included. SENEZA sold the cement to KAZUNGU at the price of FRW 708,000 VAT included who sold the products to the RETAILERS at FRW 850,000 VAT excluded. At the

last stage, the retailers sold the products to the last customer at a price of FRW 1,000,000 VAT excluded.

Required:

Using INPUT and OUTPUT VAT METHODS, calculate the total VAT payable to Rwanda Revenue Authority using the VAT rate in Rwandan law.

Q2. MUGISHA bought different products from England valued 6,000 pounds. He pays transport cost of 1000 pounds up to MOMBASSA port and assurance of 300 pounds. He also paid 25% of import duty. If these goods weight 500kg, determine the amount of VAT that RRA will tax Mr. MUGISHA at the entrance border of RUSUMO. (EXCHANGE RATE 1POUND= FRW 1400)

Proposed Answers

Q1.

- CIMERWA: Input VAT= FRW 0
Output VAT= $\text{FRW } 472,000 * \frac{18}{118} = \text{FRW } 72,000$
Payable VAT: $\text{FRW } 72,000 - \text{FRW } 0 = \text{FRW } 72,000$
- SENEZA: Input VAT = FRW 72,000
Output VAT= $\text{FRW } 708,000 * \frac{18}{118} = \text{FRW } 108,000$
Payable VAT: $\text{FRW } 108,000 - \text{FRW } 72,000 = \text{FRW } 36,000$
- KAZUNGU: Input VAT = FRW 108000
Output VAT= $\text{FRW } 850,000 * \frac{18}{100} = \text{FRW } 153,000$
Payable VAT: $\text{FRW } 153,000 - \text{FRW } 108,000 = \text{FRW } 45,000$
- RETAILERS: Input VAT = FRW 153,000
Output VAT= $\text{FRW } 1,000,000 * \frac{18}{100} = \text{FRW } 180,000$
Payable VAT: $\text{FRW } 180,000 - \text{FRW } 153,000 = \text{FRW } 27,000$
Total payable VAT: $\text{FRW } 0 + \text{FRW } 72,000 + \text{FRW } 36,000 + \text{FRW } 45,000 + \text{FRW } 27,000 = \text{FRW } 180,000$

Q2. C.I.F = $6,000 + 1,000 + 300 = 7,300$ pounds * FRW 1,400 = FRW 10,220,000
Import duty = $7,300 * 0.25 = 1,825$ pounds * FRW 1,400 = FRW 2,555,000
Handling fee = $500 \text{ Kg} * 10 = \text{FRW } 5,000$

$$\text{Total} = \text{FRW } 10,220,000 + \text{FRW } 2,555,000 + \text{FRW } 5,000 = \text{FRW } 12,780,000$$

$$\text{VAT} = 12,780,000 * 18\% = \text{FRW } 2,300,400$$

5.9.3. Extended activities

Q1. BAKUNDUKIZE is producing juice locally. He used FRW 2,000,000 to buy raw materials and pays FRW 500,000 to labour. He also paid FRW 200,000 of overheads. The production he got for a period was 10,000 bottles that he packed in boxes of 12 units. He sold all the production locally and earns a profit of 25% mark-up. The VAT amounts were inclusive in all the prices

Determine the VAT paid by BAKUNDUKIZE for the period

Q2. Innocent designs and manufactures clothes. He sells within Rwanda but also exports some to Uganda. The goods sold within Rwanda are subject to VAT as normal. The goods exported to Uganda are zero-rated. He pays input VAT on the material used in the manufacturing.

He sells FRW 236,000 (VAT inclusive) within Rwanda, with VAT paid on inputs of 10,000 FRW.

He exports FRW 300,000 (VAT exclusive) to Uganda, with VAT paid on inputs of FRW 30,000. Calculate VAT to be paid.

Proposed Answer

Q1. Proposed answer

$$\text{Input VAT} = \frac{2,000,000}{118} * 18 = 305,085$$

$$\text{Output VAT: Production cost: } 2,000,000 + 500,000 + 200,000 = 2,700,000$$

$$\text{Selling price: } 2,700,000 + (2,700,000 * 0.25)$$

$$2,700,000 + 675,000 = \text{FRW } 3,375,000$$

$$\text{VAT} = \frac{3,375,000}{118} * 18 = \text{FRW } 514,830$$

$$\text{VAT paid} = 514,830 - 305,085 = \text{FRW } 209,745$$

Q2. The total (VAT exclusive) sales is therefore:

$$\left(\text{FRW } \frac{236,000}{1.18}\right) + \text{FRW } 300,000 = \text{FRW } 200,000 + \text{FRW } 300,000 = \text{FRW } 500,000.$$

The taxable sales exclude the exports so is 200,000 FRW. The output VAT is therefore:

$$\text{FRW } 200,000 * 18\% = \text{FRW } 36,000.$$

The input VAT includes the VAT paid for the taxable sales, as well as the zero-rated sales.

The input VAT is therefore:

$$\text{FRW } 10,000 + \text{FRW } 30,000 = \text{FRW } 40,000 \text{ Therefore, Innocent's VAT due is equal to: } \text{FRW } 36,000 - \text{FRW } 40,000 = - \text{FRW } 4,000.$$

Innocent requests a VAT refund from RRA of FRW 4,000

6.1. Key unit competence: Use electronic billing machine

6.2. Prerequisite (knowledge, skills, attitudes and values)

Learners were introduced in senior 4 (unit 2) to the Laws related to business activities. So, with this prior knowledge, skills, attitudes and values it should help them to apply law related to business activities.

6.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the cross-cutting issues where possible taking consideration of their environment or community around them.

Environment and sustainability: Environment is one of the greatest factors that can affect both positively or negatively any business activity and one cannot start up a business without the environment. Therefore, great care for environment is crucial. Students are to be advised on the importance of environmental protection and the importance of electronic billing machine in reducing harmful imports such as polythene paper while promoting other environmentally friendly businesses e.g. use of renewable energies (solar energy).

Gender education: Emphasis throughout this unit has to be put on how both males and females have the equal opportunities to understand and explain the process of customs procedures system in Rwanda. So that this will encourage people to take the first step in paying their duties to the government.

Inclusive education: In addition to all having equal opportunities to carry out business activities, emphasis has to be put on how we all regardless of

our background, economic or social setup have right to develop an ethical understanding of electronic billing machine that do not discriminate. Students need to use electronic billing machine should not discriminate but promote inclusiveness of all etc.

Peace and Values: You need to emphasize to learners the need to live in peace and harmony with others. Students need to appreciate the use of electronic invoicing in promoting peace and patriotism in the community avoiding activities that are illegal e.g. smuggling and make sure that every trade they plan to have is legal and contributes to national development goals.

Standardization culture: You need to emphasize to students the need for standard in a business legal aspect. This will help them to abide by standards of Electronic Invoicing System as prospective business legal aspects.

6.4. Guidance on introductory activity

Follow the guidance about the introductory activity:

Students in small groups, pairs or individual read and analyse the case study and explained their mother that the information regarding to invoice roles got it from the Radio Rwanda and RTV publicities.

During the activity, make sure everyone is following and actively participating. Those who are not acting may have to listen attentively without disturbing and should applaud the actors after.

Students share their findings, responses or answers to the activity using an appropriate method such as group presentation, pair-share or large group discussion. Ensure all students are given an opportunity to give their views and should be respected.

Appreciate the team's presentations and remind them that this activity was not meant come to the very right answers but to help them become aware of what to expect in the unit. Answers to the activity will be got as the unit progresses. Guide them to take notes in their books referring to learners' book.

You can support student's answers by referring to possible answers to the introductory activity below:

Possible answers for introductory activity (case study)

Q1. YES

Q.2.

For the buyer, it protects the products bought (security).

For the country, it helps the country to have different infrastructure such as: Hospitals, schools, roads,

Q.3. No it is her right.

6.5. List of lessons/sub-heading

Headings		Lesson title/sub-headings	Learning objectives	Number of periods
6.1. The electronic invoicing system (Electronic Billing Machine)		Introductory activity	Arouse the curiosity of students on the content of unit 6.	1
	1	Meaning of electronic invoicing system and the concepts related to EBM	Explain the meaning of electronic invoicing system	2
	2	Requirements to obtain EBM and The benefits of Electronic Information System: RRA and Taxpayer	Identify the requirement to obtain EBM version and explain the benefits of electronic information system to RRA and Taxpayer	1
	3	Process used to obtain version EBM.	Explain the ways taxpayer used to obtain EBM	2
	4	The components of EBM and Receipt data requirements	Identify the components of EBM and Identify the receipt data requirement	1

6.2 The ways used to set EBM	1	The ways used to produce EBM Invoice and The action done when the taxpayer enters wrong information on EBM invoice by error.	Explain the ways used to produce EBM Invoice and the action done when the taxpayer enters wrong information an EBM invoice by error.	2
	2	The actions done taxpayer if EBM is not working and Obligations of a Certified Electronic Billing Machine User	Explain the actions done by taxpayer if EBM is not working.	2
6.3 EIS/EBM penalties and fines	1	EIS/EBM penalties and fines	Identify EIS/EBM penalties and Fines	1
6.4 End unit assessment				2

Lesson 1: Meaning of electronic invoicing system and the concepts related to EBM

a) Learning objective

- Explain the meaning of electronic invoicing system
- Identify the requirement to obtain EBM version and explain the benefits of electronic information system to RRA and Taxpayer.
- Explain the ways taxpayer used to obtain EBM
- Identify the components of EBM and identify the receipt data requirement

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objective link to the key unit competence.

d) Learning activities

Activity 6.1

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners' different abilities. During this activity ensure that students have understood the instructions, prompt and probe them through question-and-answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answers to Activity 6.1

a) **Invoice**

b)

1. Taxpayer's Name ;

2. Taxpayer identification number ;
3. Address at which the sale takes place;
4. Optional tax identification number of the client;
5. Receipt type and transaction type;
6. Serial number of the receipt, from an uninterrupted ascending number series per receipt type;
7. Registered items or services with description, quantity, price, with any other action that may be done, such as cancellations or corrections;
8. Total sales amount;
9. Tax rates applied;
10. The tax added to the sale amount;
11. Means of payment;

Application activities 6.1

This activity can be given as a normal individual activity, where students Explain the meaning of electronic invoicing system, Identify the requirement to obtain EBM version and explain the benefits of electronic information system to RRA and Taxpayer, Explain the ways taxpayer used to obtain EBM, Identify the components of EBM and Identify the receipt data requirement.

Monitor the activity to ensure students are on track and actively participating.

You make correction of paper assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Depending on the purpose of the application activity, choose an appropriate method to assess student's findings, answers or responses. Depending on the performance or results, you may decide to give remedial or extension activities.

Answers to application activity 6.1

Q1.

- Improving bookkeeping and stocktaking for taxpayers through using EIS/EBMs to record the exact items and prices being sold.
- Simplifying the audit process, reducing the time and interruption of taxpayer's daily operations

Q2.

- A letter requesting the installation of EBM software
- A copy of RDB Full Registration Certificate or copy of Notice of Taxpayer Identification Number (TIN) registration in case the business is not registered in RDB.
- A copy of Value Added Tax (VAT) Certificate.
- A copy of identification number. Number or Passport of the person who signed the letter requesting the installation of EBM software.
- Form must be signed by the person who signed the letter requesting the installation of EBM software.

Lesson 2: The ways used to set EBM

a) Learning objective

- Explain the ways used to produce EBM Invoice and the action done when the taxpayer enters wrong information an EBM invoice by error
- Explain the actions done by taxpayer if EBM is not working.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, official gazette, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

In previous lesson, lesson 1 Students studied for meaning of electronic invoicing system and the concepts related to EBM That will help to explain the meaning of electronic invoicing system

Leant in this lesson.

d) Learning activities

Activity 6.2

- Put students in small groups and give clear instruction about the activity
- Ask them to observe the pictures in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating

- Invites students to share their findings

Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when to from the above scenario, what do you think Ms. Yvonne was supposed to do? answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 6.2

1. For the invoice recorded erroneously, Mr. Kamali was supposed to correct it by reversing the transaction and re-enter the correct value to avoid fines.
2. For invoices not issued to customers, Mr. Kamali was supposed to issue EBM invoices as per taxpayer obligations to issue the EBM Invoice; fail to do this, will result into fines and penalties.
3. For the EBM which was not working, Mr. Kamali was supposed to notify RRA and hand-write invoices to the consumer, and keep a duplicate, until the EIS/EBM is working again

Application activities 6.2

This activity can be given as a normal individual activity, where students Explain the ways used to produce EBM Invoice and the action done when the taxpayer enters wrong information an EBM invoice by error, Explain the actions done by taxpayer if EBM is not working.

Monitor the activity to ensure students are on track and actively participating.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to application activity 6.2

Q1. EBM must be used to produce EBM invoice for every sales transaction, whether to her business or to final consumers.

Q2.

- To purchase certified set of electronic billing machines from a licensed supplier;

- To install certified electronic billing machines at the sales location;
- To issue receipt generated by certified electronic billing machines to every customer purchasing items or service;

Lesson 3: EIS/EBM penalties and fines

a) Learning objective:

Identify EIS/EBM penalties and Fines

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, official gazette, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 6.3

- Put students in small groups and give clear instruction about the activity
- Ask them to show the question in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings

Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when to EIS/EBM penalties and Fines to **explain the judicial sanctions imposed on taxpayer who:**

- Does not have an EBM/EIS, but is required to have
- Fail to comply with any other EIS/EBM user obligations
- Has an EIS/EBM but issues an undervalued EIS/EBM invoice

Answers or address any questions or challenges about the activity. guide them to make notes in referring in their students' book.

Answer to Activity 6.3

- a) A taxpayer who does not have an EIS/EBM for a sales location that requires an EIS/EBM is subject to a penalty of:
- FRW 200,000 for a first-time offence.
 - FRW400,000 FRW for any repeat offences.
- b) A VAT taxpayer who fails to comply with any other five EIS/EBM user obligations, including indicating the true name of the goods, notify RRA of EIS/EBM failure and refraining from deleting invoices inappropriately, is subject to a penalty of:
- FRW 200,000 for a first-time offence.
 - FRW400,000 for any repeat offences.
- c) A taxpayer who has an operational EIS/EBM but issues an undervalued EIS/EBM invoice is subject to a penalty of:
- Ten (10) times the value of the evaded VAT for a first-time offence.
 - Twenty (20) times the value of the evaded VAT for any repeat offences.

Application activities 6.3

This activity can be given as a normal individual or group activity, where students Identify EIS/EBM penalties and Fines

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 6.3

The penalties Lucia paid: $9,000 * 10 = \text{FRW } 90,000$

Skills lab activity 6

Guidance on the skills lab activity:

In conducting this skills lab activity, you can either invite a resource person (accountant of school) for students to interview him/her where needed.

i. Build

Given that students listen resource person (accountant):

- Remind students on the expected objective for the computer lab attendance
- Help them to be grouped and remember to mix both boys and girls
- Let each team have the representative
- Ensure they have where to keep necessary notes from the findings
- Distribute questions for their research
- Check their understanding of the assignment
- Remind them that everybody full participation is mandatory.

ii. Practice

- Guide students on listening resource person
- Ensure that all are listening
- Respond to any questions for clarification and support accordingly

iii. Present

- Choose randomly any two teams to present their findings
- Allow students to ask question to resource person or their fellows

iv. Conclusion

The teacher emphasizes on the objective of the visit the school accountant to share with students the way used to programme EBM Version and produce EBM invoices also ask students to describe them then share their findings.

The following are key areas for reference:

- The electronic invoicing system (Electronic Billing Machine)
- The ways used to set EBM
- EIS/EBM penalties and fines

6.6. Summary of the unit

- **Meaning of electronic billing machine**

An electronic billing machine comprises of two components; there is a certified invoicing system (CIS) and a sales data controller (SDC).

There are two versions of EBMs: EBM 1 and EBM 2.0. extended to 2.1

The new EBM version 2.0 (EBM 2.0) is a form of software now available for taxpayers to install onto desktop or laptop computers. VSDC can be incorporated with privately provided billing systems

- **Purposes of EBM**

- i. Combating tax evasion
- ii. Combating corruption in the tax system
- iii. Providing a market balance and make equal business opportunities for every entrepreneur

- ❖ **Requirement to obtain EBM and the benefits of EIS/EBMs: RRA, Taxpayer**

Requirement to obtain EBM

- i. **Required tools:** The EBM software is installed in a computing device (Desktop, Laptop, Tablet or POS) with windows operating system from 8 and above or Android operating system.
- ii. Required documents

The below listed documents have to be scanned and sent to ebm2.installation@rra.gov.rw

- a) A letter requesting the installation of EBM software.
- b) A copy of RDB Full Registration Certificate or copy of Notice of Taxpayer Identification Number (TIN) registration in case the business is not registered in RDB.
- c) A copy of Value Added Tax (VAT) Certificate
- d) A copy of Identification Number or Passport of the person who signed the letter requesting the installation of EBM software
- e) Fill, stamp and sign the acknowledgement and commitment Form1 that can be downloaded from this link: <https://ebm2.rra.gov.rw/api/ConfirmForm>

❖ **The way taxpayers use to obtain Version EBM**

If you would like to obtain EBM bring to RRA Headquarters:

- RDB Business Registration Certificate
- VAT Registration Certificate
- If you are the owner of the company, your National ID or Passport
- If you are not the owner of the company, the Power of Attorney and National or Passport of the Owner. Taxpayers will have EBM 2.0 installed on their machine

❖ **The components of EBM and Receipt data requirements**

i. The components of EBM

The EBM 1 uses specific EBM hardware, made up of two components, a Certified Invoicing System (CIS) and a Sales Data Controller (SDC). These can be integrated into one item ('All in One EBM'), or kept separate but connected by cable.

ii. Receipt data requirements

The data enumerated in items below as minimum required information:

1. taxpayer's name;
2. taxpayer identification number;
3. address at which the sale takes place;
4. optional tax identification number of the client;
5. receipt type and transaction type;
6. serial number of the receipt, from an uninterrupted ascending number series per receipt type;
7. registered items or services with description, quantity, price, with any other action that may be done, such as cancellations or corrections;
8. total sales amount;
9. tax rates applied;
10. the tax added to the sale amount;
11. means of payment.

❖ **The ways used to produce EBM invoices and the action done when the taxpayer enters an EBM invoice incorrectly**

• **The ways used to produce EBM invoices**

EBMs must be used to produce EBM invoices for every sales transaction, whether to other businesses or to final consumers. The exact process varies slightly for different types of EBM. The licensed suppliers are trained to help show taxpayers how to use their EBMs.

• **The action done when the taxpayer enters an EBM invoice incorrectly**

If the taxpayer wishes to refund a consumer, or makes a mistake when entering a transaction, they can cancel a specific item, or the whole receipt. Alternatively, if the taxpayer wishes to enter any discount, this can be done at the end of the transaction, before printing the invoice

• **The action taxpayers do if the EBM is not working**

If there is any period where the EIS/EBM is not working, for whatever reason, taxpayers must notify RRA and hand-write invoices for the consumer, and keep a duplicate, until the EIS/EBM is working again. Further actions depend upon the type of problem. Once the EIS/EBM is working again, enter all the hand-written invoices into the EIS/EBM.

• **Obligations of a Certified Electronic Billing Machine User**

Users of certified electronic billing machines shall be subject to the following obligations:

1. To issue receipt generated by certified electronic billing machines to every customer purchasing items or service;
2. To ensure that certified electronic billing machines is placed at a place which is accessible and easily seen by customers;
3. To ensure that all items or services sold through certified electronic billing machine have clearly defined name and appropriate tax rate.
4. To include client's TIN on the receipt upon request from the client who performs the payment prior to start issuing a receipt;

❖ **EIS/EBM penalties and fines**

The penalties and fines relating to the lack of or misuse of EIS/EBMs are explained below. These may be applied separately, or in addition to, any penalties and fines relating to Value Added Tax (VAT).

❖ **Different EBM Penalties and Fines**

- A taxpayer who does not have an EIS/EBM for a sales location that requires an EIS/EBM is subject to a penalty of:
 - FRW200, 000 for a first-time offence.
 - FRW400, 000 for any repeat offences
- A VAT taxpayer who fails to comply with any other five EIS/EBM user obligations, including indicating the true name of the goods, notify RRA of EIS/EBM failure and refraining from deleting invoices inappropriately, is subject to a penalty of:
 - FRW 200,000 for a first-time offence.
 - FRW 400,000 for any repeat offences
- A VAT taxpayer who has an operational EIS/EBM but fails to issue an EIS/EBM invoice when required is subject to a penalty of:
 - Ten (10) times the value of the evaded VAT for a first-time offence
 - Twenty (20) times the value of the evaded VAT for any repeat offences
- A non-VAT taxpayer who has an operational EIS/EBM but fails to issue an EIS/EBM invoice when required is subject to a penalty of:
 - Twice (2) times the value of the transaction.
 - Four (4) times the value of the transaction for any repeat offences
- A taxpayer who has an operational EIS/EBM but issues an undervalued EIS/EBM invoice is subject to a penalty of:
 - Ten (10) times the value of the evaded VAT for a first-time offence.
 - Twenty (20) times the value of the evaded VAT for any repeat offences.
- A non-VAT taxpayer who has an operational EIS/EBM but fails to issue an EIS/EBM invoice when required is subject to a penalty of:
 - Two (2) times the value of the transaction.
 - Four (4) times the value of the transaction for any repeat offences

- Additional penalties available to RRA for non-compliance with EIS/EBM requirements can include:
 - Closure of business activities for a period of thirty (30) days.
 - Being barred from bidding for public tenders.
 - Being named in nationwide newspapers

6.7. Additional Information for Teachers

- **Virtual Sales Data Controller (VSDC)**

A VSDC can be used to integrate local sales management systems/private billing system with the requirements of EBM. Businesses can then continue to use their own retail management software package, while complying with the modalities of EBM requirements

- **Process of generating EBM Invoice**

Step 1: Enter the Sales tab in EBM.

Step 2: Select New to create a new invoice. Electronic Invoicing System (EIS) Here For You, To Serve - Call the RRA Call Centre on 3004 220

Step 3: Add the Customer ID, as supplied by the consumer. Customer details must be created in the Customer Management tab of EBM. This includes the TIN number of the customer. If the customer does not have a TIN, record the mobile phone number of that customer.

Step 4: Add the Item Code for the sale. Items must be created in the Item Management tab of EMB. Item records include the price, taxable value and tax rate for an item.

Step 5: Enter the item quantity in the Sales Qty field of the pictured transaction. Press 'Confirm' to add the item.

Step 6: Repeat steps 3 to 5 for each type of item/service being sold.

Step 7: Press 'Save' in order to save the receipt in your records.

Step 8: To approve the receipt and issue an invoice, double click on 'waiting' invoice. Select 'Approve' on the subsequent window.

For further information and training on EBM Version, please visit the RRA EBM training center at RRA HQ.

6.8. End unit assessment

Q1.

Mukamana penalties paid: $122,000 \times 20 = \text{FRW } 244,000$

Q2.

Certified Invoicing System (CIS)": electronic system designed for use in business for efficiency management controls, in areas of sales analysis and stock control system which fulfill the requirements

Sales Data Controller (SDC)": device connected to CIS used for processing and storing receipts

Q3.

"POS": Point of Sale;

"TIN": taxpayer identification number;

Q4.

A VAT taxpayer who has an operational EIS/EBM but fails to issue an EIS/EBM invoice when required is subject to a penalty of:

- Ten (10) times the value of the evaded VAT for a first time offence.
- Twenty (20) times the value of the evaded VAT for any repeat offences.

Q5.

- Penalties: Punishment for someone doing something that is against law.
- Fines: Is the amount of money that the court of law or other authority decides has to be paid as punishment for the crime or offense.

Q6.

- a) EBM stands for Electronic Billing Machine
- b) EBM is machine which is used to generate invoice or receipt electronically.
- c) Two types of EBM are:
 - **VERSION 1**: Machine used to generate invoice
 - **VERSION 2.0**: Software or Certified Invoicing System or Sales Data Controller.

6.9. Additional activities

6.9.1. Remedial activities

Q 1. Write in full the following terms related to Electronic Billing Machine:

- EIS
- VAT

Answers :

EIS : Electronic Invoicing System

VAT : Value Added Tax

Q2. Answer by True or False

- a) Medium taxpayer**": any taxpayer whose turnover is more than fifty million (50,000,000) Rwandan francs during the previous tax period and not designed as a large taxpayer by the Authority; **TRUE**
- b) Micro taxpayer**": any taxpayer whose turnover is equal or less than twelve million (12,000,000) Rwanda francs during the previous tax period million. **TRUE**

Q3. Identify the Purposes of Electronic Billing Machine.

- Combating tax evasion
- Combating corruption in the tax system
- Providing a market balance and make equal business opportunities for every entrepreneur.

6.9.2. Consolidation activities

Q.1

- a) What does EBM stand for?
- b) Define the term EBM
- c) Explain two (2) Types of EBM.

Answers:

- a) EBM stands for Electronic Billing Machine
- b) EBM is machine which is used to generate invoice or receipt electronically.
- c) Two types of EBM are:

- VERSION 1: Machine used to generate invoice
- VERSION 2.0: Software or Certified Invoicing System or Sales Data Controller

Q2. Identify three (3) Obligations of a Certified Electronic Billing Machine user

Answer:

- To ensure that certified electronic billing machines is placed at a place which is accessible and easily seen by customers;
- To ensure that all items or services sold through certified electronic billing machine have clearly defined name and appropriate tax rate.
- To include client's TIN on the receipt upon request from the client who performs the payment prior to start issuing a receipt;

Q3. Explain the ways taxpayer used to obtain Electronic Billing Machine.

Answer:

If you would like to obtain EBM bring to RRA Headquarters:

- RDB Business Registration Certificate
- VAT Registration Certificate
- If you are the owner of the company, your National ID or Passport

If you are not the owner of the company, the Power of Attorney and National or Passport of the Owner. Taxpayers will have EBM 2.0 installed on their machine.

Q.4 What are the penalties for a taxpayer who has an EBM but fails to issue an EIS/EBM invoice?

Answer:

A VAT taxpayer who has an operational EIS/EBM but fails to issue an EIS/EBM invoice when required is subject to a penalty of:

- Ten (10) times the value of the evaded VAT for a first-time offence.
- Twenty (20) times the value of the evaded VAT for any repeat offences.

6.9.3. Extended activities

Q.1. What are the penalties for a taxpayer who does not have an EIS/EBM, but is required to have?

Answer: A taxpayer who does not have an EIS/EBM for a sales location that requires an EIS/EBM is subject to a penalty of:

- FRW 200,000 for a first-time offence.
- FRW 400,000 for any repeat offences.

Q.2. What are the penalties for a taxpayer who has an EIS/EBM but issues an undervalued EIS/EBM invoice?

Answer: A taxpayer who has an operational EIS/EBM but issues an undervalued EIS/EBM invoice is subject to a penalty of:

- Ten (10) times the value of the evaded VAT for a first-time offence.
- Twenty (20) times the value of the evaded VAT for any repeat offences.
- A non-VAT taxpayer who has an operational EIS/EBM but fails to issue an EIS/EBM invoice when required is subject to a penalty of:
 - Two (2) times the value of the transaction.
 - Four (4) times the value of the transaction for any repeat offences

7.1. Key unit competence: Compute taxation of cross border activities

7.2. Prerequisites (knowledge, skills, attitudes, and values)

In addition to Unit 6 on Taxation of Individual Business Profits covered in S4, where they were introduced to the meaning of business profit, students were introduced to taxes in Rwanda in senior 2 (unit 5) and in senior 3 (unit 5) introduced into the role of Rwandan Customs procedures. This prior knowledge, skill or competency should help students to calculate the corporate income tax (CIT) related to the company's operations and to file the appropriate declaration.

7.3. Cross-cutting issues to be addressed:

- **Inclusive education:** Encourage the participation of all students during the teaching and learning process
- **Peace and value education:** During group activities, the teacher encourages students to respect their peers' opinions
- **Gender education:** From the beginning to the end of class, provide all students with equal opportunities for girls and boys to participate actively in class.
- **Financial education:** Remind students to be financially competent so they can understand and use effectively various financial skills including personal financial management, budgeting, and investing. Know how to manage your money and save responsibly.

7.4. Guidance on the introductory activity 1

- Lead small groups of students to work on introductory activity 1.
- During the class discussion, have students think of different possible solutions to trade types and justify them in front of the whole class

- The teacher should visit all groups and offer support when needed.
- After a set time, ask the students to present and harmonize their results.
- Explain to students that they may get different answers to the given task based on the sentences they are looking at. Make an effort to keep students interested in the first unit material.
- Ask students to complete application activity 7.1 and assess whether the lesson objectives have been met to assess their competencies

Answers for introductory activity 1

Answer to Scenario 1

Mr Robert is doing business that cover one territory (Trading in a country) and crossing to another (Trading with a country) as well. The 2 business of Mr. Robert are related businesses, the one from Rwanda it can be considered as main business while the other one from Uganda and Kenya can be considered as the second businesses but all have a strong relationship because the control and management lies within one hand of Mr. Robert.

Answer to Scenario 2

The dilemma however, is in what country does the tax liability fall, and how is that decided? And a further issue that may arise is that if Joe is taxed in Rwanda and in Tanzania, then Joe has effectively been taxed twice on the same income. If such a situation were to prevail, it could materially inhibit the development of international trade.

So, for example, Rwanda will argue that Joe is a citizen and a resident, he lives with his wife and family here, and every citizen is expected to make his/her contribution to the various public services they enjoy. Thus, they will argue, Joe should be taxed on his income in Rwanda, according to the rules that prevail here.

But Tanzania will argue that Joe should pay his income tax in their country, because the income originated there, and their rules state that anyone earning an income in their country should be taxed there.

The dilemma for Joe is that he could end up being taxed in both countries on the same income which is a bit unfair on Joe. The dilemma for both Countries is that they could end up not taxing Joe in either country. And if it is to be only

one, which one? and how is that decided?

To answer the above question, let us assume two case A & B:

(A) Where there is a double taxation agreement in place between Rwanda and Tanzania.

(B) Where there is not.

Case (A)

In case (A) (where there is a tax treaty, on avoidance of double tax and prevention of fiscal evasion), between Rwanda and Tanzania, the treaty generally will specify in a clear wording that the right to tax is with Tanzania, because this is the country in which the income arises i.e. the “source” country. Rwanda, which taxes on worldwide incomes, i.e. income arising from Rwanda and Tanzania, will then compute tax payable. Rwanda will provide credit for the tax paid to Tanzania i.e., the country where the incomes were sourced. It is thus, through this arrangement that double taxation is avoided.

Case (B)

In case (B) (where there is no existing tax treaty on avoidance of double tax and prevention of fiscal evasion) Tanzania will tax Joe on incomes arising from Tanzania, because that is the source of the incomes. When he goes back to Rwanda, Rwanda may give Joe credit for the tax paid in Tanzania. However, Rwanda may only do this on a unilateral basis, and is not obliged to do so. Thus, the certainty created for Joe, and other taxpayers in case A is absent here.

It is desirable, and indeed necessary, in the field of international taxation, that there are rules agreed between different countries as to which tax jurisdiction takes what portion of tax, and why a given tax jurisdiction should forego in whole or in part what it considers to be its revenues. Having such agreements creates taxation certainty for businesses and individuals who operate internationally. Also, such agreements can include provision for cooperation and sharing of information which can assist in tackling tax evasion.

So, to help Joe for not being taxed twice, Rwanda has either to enter into agreement with Tanzania for double taxation or it may opt to do unilateral relief in case bilateral conventions or agreements relief is not possible. In this situation, and since the source of income is on worldwide basis, Rwanda will

grant to Joe a foreign tax credit up to the level of what Joe was supposed to pay domestically. Granting him more than that would mean that Rwanda is financing the other country.

7.5. List of lessons and lesson development

Headings	#	Lesson title/ sub-headings	Learning objectives	Number of periods
7.1 Distinction between trading in and trading with a country		Introductory activity	Arouse the curiosity of students on the content of unit 7.	1
	1	Trading in a country	Explain the trading in a country	1
	2	Trading with a country	Explain trading with a country	1
7.2 Double Taxation Agreements	1	Double Taxation	Explain double Taxation	2
	2	Double taxation agreements	Identify double taxation agreements	1
	3	Foreign tax credit	Explain Foreign tax credit	1
7.3 East African Customs Union	1	Meaning of East African Customs Union	Explain what is East African Customs Union	1
	2	Features of a Customs Union	Explain the features of a Customs Union	1
	3	Objectives of the Customs Union	Explain objectives of the Customs Union	1

7.4 Transfer pricing	1	Transfer pricing principles	Explain transfer pricing principles	1
	2	Definition of related person	Identify definition of related person	1
	3	Impact of transfer pricing rules	Explain impact of transfer pricing rules	1
	4	Thin capitalization	Discuss thin capitalization	1
7.5 Computation of tax for cross border activities	1	Compute the tax relating to cross border activities for an individual	Compute the tax relating to cross border activities for an individual	2
	2	Compute the tax relating to cross border activities for a company	Compute the tax relating to cross border activities for a company	2
7.6 End unit assessment				2

Lesson 1: Distinction between trading in and trading with a country

a) Learning objective: Explain different types of trading

b) Teaching resources: ICPAR, Advanced Taxation 2nd Edition February 2020 calculators, students' book, and other reference textbooks to facilitate research.

c) Prerequisites/Revision/Introduction:

Students will perform well in this unit if they have learned well the content of Senior 4 unit 6 and Senior 5 unit 1 of Taxation

d) Learning activities

- Invite students to sit in small groups;
- Invite students to work in groups and do activity 7.1 from in their student book;

- Move around the class to facilitate when needed and bring more clarity to any challenges they may encounter during their work;
- Identify groups with different work steps.
- Invite each group with different activities to present their answers in a class discussion;
- As a teacher, harmonize the learnings from the students' presentation and ask them to provide other real-life examples of problems involving the use of company profits
- Guide them to explore examples from the student book

Answers for Activity 7.1

This person sells mango on the first part in their home country, but by approaching the second party, they cross the border into Uganda to sell their product as well. In fact, he trades in his country and also with Uganda.

e) Answers for the application activity 7.1.

Trading in, refers to the business or trading that are made within the territory of the country i.e., both buyer and seller are in the same country. For example: Mr Kamali has a retail shop in his village where he used to buy and sell the local products to the citizens around the shop.

Cross border activities, refers to the activities of buying or selling the property, goods and services between individuals or business entities who reside in different Jurisdictions/ Countries. For example: Ubwiza enterprise is a manufacturing company that produce and sell Mango juice both in Rwanda and outside of Rwanda.

Lesson 2: Double taxation agreement

- Learning objectives:** Explain where there is a double taxation agreement in place and where there is not.
- Teaching resources:** BPP Learning Media Ltd, Taxation First Edition August 2019 and ICPAR, Advanced Taxation 2nd Edition February 2020, calculator, student book and other reference books to facilitate research.

c) Prerequisites/Revision/Introduction:

Students will perform well in this unit if they have learned well the content of unit 1 in the subject of Taxation found in senior 5.

d) Learning activities

- Individually, invite students to work on the activity 7.2 from the S5 Taxation student's book;
- Move around for facilitating students where necessary and give more clarification on eventual challenges they may face during their work;
- Invite students to share their results to their neighbours
- Individually, invite students to share their findings to the whole class
- As a teacher, harmonize the findings from presentations and use different probing questions to help students to explore examples and the content given in the student's book to enhance skills on taxable income and taxable trading profits.
- Invite students individually to comment on the general conclusion from findings
- Ask students to do the application activity 1.2 and evaluate whether lesson objectives were achieved to assess their competences.

Answers for Activity 7.2

They exchange documents that appear to have agreed to do something between them. Since the photo contains some words like tax duty, customs and withholding, it shows that people agree on tax matters.

e) Answers for the application activity 7.2

Step1:

Calculate the gross income received by Hellene from Rwanda and Kenya.

$FRW\ 720,000 + FRW\ (5,400 + 780) * 100 = FRW\ 720,000 + FRW\ 618,000 = FRW\ 1,338,000$

Step 2:

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C = B*A
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
Above 200,001	30%	1,138,000	341,400
Total Tax Liability			365,400

Step 3:

Compute the tax liability on Local income (Income from Rwanda); FRW 720,000

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
Above 200,001	30%	520,000	156,000
Total Tax Liability			180,000

Step 4:

The tax for foreign income (Tax that should have been paid) = Tax liability on the total income (Local and Foreign) - Tax liability on local income only.

$$\text{FRW } 365,400 - \text{FRW } 180,000 = \text{FRW } 185,400$$

Step 5:

Exchange the foreign tax liability into the local currency to get the actual tax paid in foreign country. Note: This is applicable only if you have been given the foreign tax liability in foreign currency.

In Kenya Hellene paid KES 780 as tax, by exchanging into Rwandan Francs, is equal to $\text{FRW } 780 * 100 = \text{FRW } 78,000$.

Step 6:

Computation of the double taxation relief/ foreign tax credit;

This is equal to the lower between the tax for foreign income and the actual tax paid in foreign country.

Tax for foreign income FRW 185,400

The actual Tax paid in Kenya FRW 78,000

Thus, the lower is FRW 78,000. This means that the double taxation relief/ foreign tax credit due to Hellene is FRW 78,000.

Lesson 3: East African Customs Union

a) Learning objective:

- Explain what is East African Customs Union
- Explain the features of a Customs union
- Explain objectives of the Customs Union
- Explain the scope of Cooperation in the Customs union

b) Teaching resources: RRA Tax Guide (2019), Protocol on the establishment of the East African Customs Union of 2004, calculator, student book and other reference books to facilitate research.

c) Prerequisites/Revision/Introduction:

Students learn this lesson better if they have a good basic knowledge of mathematical calculations.

d) Learning activities

- Organize students into small groups;
- Invite students to work on the questions for activity 7.3 in small groups.
- Walk around to help and guide students who are having difficulty with their assignment.
- Ask each group to share their answers with another group, and encourage each other if they are having more difficulty completing this activity 7.3
- During a class discussion, ask the group leader to present their findings to the whole class.
- As a teacher, harmonize the students' different responses to Activity 7.3
- Have students go through application activity 7.3 and assess whether the objectives of the lesson have been met.

Answers for Activity 7.3

As you see the photo is showing the people who are in the meeting and it shows the flags of East African Community members, and also there is word import and export, this means that the meeting is discussing on import and export matters within the EAC Members.

e) Answers for the application activity 7.3

The objectives of the Customs Union include:

- i. Further liberalise intra-regional trade in goods on the basis of mutually beneficial trade arrangements among the Partner States; for example; Traders from Rwanda can go to Uganda and purchase products there and come back in Rwanda for retailing without being charged customs duties as long as he/she represented the certificate of origin.
- ii. Promote efficiency in production within the Community; for example, A company located in Rwanda produces the products and sell them on Rwandan market and other markets from other countries, this make that company to be more efficient in production as the demand is high and no products can wasted due to not having the market.
- iii. Enhance domestic, cross border and foreign investment in the Community; for example, business owner from Kenya can expand his/ her business to Rwanda as long as Rwandan like or prefer his/ her products.
- iv. Promote economic development and diversification in industrialisation in the Community for example, as long as the demand is high, more demand more supply hence more revenue, as the revenue increases more tax as well and this promote economic development and due to the customer demand, a company can also expand its production and diversify it as per customer preference.

Lesson 4: Transfer pricing

a) Learning objective: Explain what is a transfer pricing

b) Teaching resources: RRA Tax Guide (2019), Ministerial Order N° 003/20/10/TC of 11/12/2020, calculator, student book and other reference books to facilitate research.

c) Prerequisites/Revision/Introduction:

Students will perform well in this unit if they have a good command of the content of the previous lesson and also have a good basic knowledge of mathematical calculations.

d) Learning activities

- Invite students to work in groups on Activity 7.4 found in their student book;
- Move around the class to moderate if necessary and provide further explanation of any challenges they may encounter during their work
- Invite members from each group to give a presentation of their results/ calculations;
- As a teacher, bring together the results of the presentation and lead them through an explanation of what taxable income is for businesses.
- Use a variety of probing questions to guide them through the topic and examples in the student book;
- Afterward, help students complete application activity 7.4 and determine if the learning objectives have been met.

Answers for Activity 7.4

People from headquarter are transferring something which is in envelope to people in branch

e) Answers for the application activity 7.4

Transfer pricing adjustment is equal to the difference between an arm's-length price taken to be the amount charged to other subsidiaries and the actual price charged.

The difference between an arm's-length price (taken to be the amount charged to other subsidiaries, FRW 50,000,000 * = FRW 40,000,000) and the actual price charged of FRW 50,000,000 must be added on to A plc's profit. A plc's taxable income is understated due to the high price charges by the French parent company. So, A plc's will adjust its taxable income upwards by FRW 10,000,000.

Lesson 5: Computation of tax for cross border activities

a) Learning objective:

Calculate the taxes levied on cross-border activities

b) Teaching resources:

ICPAR, Advanced Taxation 2nd Edition February 2020, calculator, student book and other reference books to facilitate research.

c) Prerequisites/Revision/Introduction:

Students will do well in this lesson if they have a solid understanding of the content of business profits computation.

d) Learning activities

- Invite students individually to work on the activity 7.5 from the S5 Taxation student's book;
- Move around to support and guide students with difficulties in their work where needed and provide further explanation of any challenges they may encounter during their work.
- Invite students to share their finding with their neighbours
- Invite students individually to share their findings with the whole class
- As a teacher, harmonize results from presentations and use various probing questions to help students explore examples and student book content to improve knowledge of taxable income and taxable trading profits.
- Invite students individually to comment on the general conclusion drawn from the results
- Ask students to complete the application activity 7.5 and assess whether the lesson objectives have been met to assess their competencies.

Answers for Activity 7.5

That person is computing or calculating something which earned from Rwanda and foreign country.

e) Answers for the application activity 7.5

Question 1

Step 1

Gross income (Rwanda and UK) received by Daniel is equal to FRW $1,765,000 + (480 + 96) * 1,400 = \text{FRW } 1,765,000 + 806,400 = \text{FRW } 2,571,400$.

Step 2

Compute the tax liability on gross income; FRW 2,571,400

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
Above 200,001	30%	2,371,400	711,420
Total Tax Liability			735,420

Step 3

Compute the tax liability on Local income (Income from Rwanda); FRW 1,765,000

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
Above 200,001	30%	1,565,000	156,000
Total Tax Liability			469,500

Step 4

The tax liability that should have been paid in UK = $\text{FRW } 735,420 - \text{FRW } 469,500 = \text{FRW } 265,920$

Step 5

Tax paid in UK exchanged in Rwandan Francs = $96 * 1400 = \text{FRW } 134,400$ (Actual)

Step 6

Computation of double taxation relief is equal to the lower between the tax liability that should have been paid in UK and the actual tax paid.

Tax that should have been paid in UK FRW 265,920

Actual tax paid FRW 134,400

The lower between the two is FRW 134,400. This means that the double taxation relief is FRW 134,400

Step 7

Computation of the tax liability due to Daniel

Gross tax liability FRW 735,420

Less double taxation relief FRW (134,400)

Tax liability/Tax payable FRW 601,020

Answer to question 2

Step 1

Total profit before tax received by Maurice Enterprise Ltd = FRW 4,500,000 +
(FRW 17,000,000 * $\frac{100}{85}$) = FRW 24,500,000

Step 2

Tax liability on total profit before tax = FRW 24,500,000 * 30% = FRW 7,350,000

Step 3

Tax liability on PBT received by Maurice Enterprise Ltd in Rwanda only = FRW
4,500,000 * 30% = FRW 1,350,000

Step 4

The tax liability that Maurice Enterprise should have been paid in Mauritius =
FRW (7,350,000 - 1,350,000) = FRW 6,000,000

Step 5

Tax liability on income received by Maurice Enterprise Ltd in Mauritius = FRW
17,000,000 * $\frac{15}{85}$ = FRW 3,000,000

Step 6

Computation of double taxation relief; would be the lower between tax liability that should have been paid in Mauritius and actual tax paid.

Tax liability that should have been paid in Mauritius: FRW 6,000,000

Actual Tax paid in Mauritius: FRW 3,000,000

The lower is FRW 3,000,000; this means that the double taxation relief is FRW 3,000,000

Step 7

Computation of tax liability Maurice Enterprise Ltd should pay to Rwanda Revenue Authority (RRA) = Total Tax liability - Double taxation relief = FRW 7,350,000 - FRW 3,000,000 = FRW 4,350,000.

Skills lab activity 7

Through the field visit of one of the companies that do business crossing out of Rwanda's territory, student will be required to prepare a report on the following questions:

How that company do declaration of an income received from outside of Rwanda?

How much of tax paid in the foreign country that company operating in?

What are the challenges of trading with other countries faced by that company?

What was the facilitation of Rwanda in the business process of that company?

7.6. Summary of the unit

- **Trading in a country.**

This refers to the trading made within the territory of the country i.e., both buyer and seller are in the same country.

- **Trading with a country.**

This refers to the trading with other territories i.e., the seller is in one country, and the buyer is in another "international" trade.

- **Double taxation**

As we have seen in the introductory activity, if an individual or a company is resident in Rwanda, they will be charged Rwandan income tax on their Rwandan and overseas taxable income sources. Foreign source income may have already suffered taxation overseas, according to the tax rules of the overseas jurisdiction.

- **Double taxation agreement**

International Taxation involves taxation which is cross border. It can arise from an individual having taxable income or assets in two countries, or a business operating in two (or more) countries. Due to increased globalisation, the growing level of businesses trading internationally around the globe, and increased personal mobility, international taxation is becoming more and more prevalent.

- **Double taxation arrangements may take the form of:**

- Bilateral conventions or agreements relief;
- Unilateral relief;

- **Foreign tax credit**

Foreign tax credit is also known as **Double Taxation Relief**. Actually, a foreign tax credit or double taxation relief is given to eliminate the effects of double taxation where income that has suffered tax in one country is also subjected to tax in another country.

Steps in computing double taxation relief

1. Calculate the total income received in resident and foreign country
2. Compute the tax liability of the total income earned from resident and foreign country
3. Compute the tax liability of the income earned from resident country
4. Compute the tax liability that should have been paid in resident country (Tax liability of the total income- Tax liability of the income earned from resident country)
5. Computation of the double taxation relief/ Foreign tax credit; This should be equal to the

7.7. Additional information for teacher

1. BPP Learning Media Ltd, Taxation First Edition August 2019, Protocol on the establishment of the East African Customs Union of 2004, Ministerial Order N° 003/20/10/TC of 11/12/2020,
2. Refer to Institute of Certified Public Accountants of Rwanda's Materials (books) for both Certified Accounting Technician (CAT) - Hard copies and Certified Public Accountants (CPA)- Soft copies, available at <https://icparwanda.com/study-resources-cpa/>

❖ Trade liberalisation

• Internal Tariff

1. As provided in Article 11 of the Protocol, the Partner States eliminate all internal tariffs and other charges of equivalent effect on trade among them, in accordance with the provisions of Article 14 of the Protocol.
2. The Council may, at any time, decide that any tariff rate should be reduced more rapidly or eliminated earlier than is provided for in accordance with paragraph 1 of Article 11.

• Common External Tariff

1. The Partner States hereby establish a three band common external tariff with a minimum rate of 0 per centum, a middle rate of 10 per centum and a maximum rate of 25 per centum in respect of all products imported into the Community.
2. The Partner States hereby undertake to review the maximum rate of the common external tariff after a period of five years from the coming into force of the Customs Union.
3. The Council may review the common external tariff structure and approve measures designed to remedy any adverse effects which any of the Partner States may experience by reason of the implementation of this part of the Protocol or, in exceptional circumstances, to safeguard Community interests
4. For purposes of this Article, the Partner States use the Harmonised Customs Commodity Description and Coding System referred to in Article 8 of the Protocol.

- **Non-tariff Barriers**

1. Except as may be provided for or permitted by the Protocol, each of the Partner States agrees to remove, with immediate effect, all the existing non-tariff barriers to the importation into their respective territories of goods originating in the other Partner States and, thereafter, not to impose any new non-tariff barriers.
2. The Partner States formulate a mechanism for identifying and monitoring the removal of non-tariff barriers.

7.8. End unit assessment

Solution 1.

The main features of a Customs Union include the following:

A common set of import duty rates applied on goods from third countries (Common External Tariff, CET);

Duty-free and quota-free movement of tradable goods among its constituent customs territories;

Common safety measures for regulating the importation of goods from third parties such as phyto-sanitary requirements and food standards.

A common set of customs rules and procedures including documentation;

A common coding and description of tradable goods (common tariff nomenclature, CTN);

A common valuation method for tradable goods for tax (duty) purposes (common valuation system);

A structure for collective administration of the Customs Union.

A common trade policy that guides the trading relationships with third countries/trading blocs outside the Customs Union i.e. guidelines for entering into preferential trading arrangements such as Free Trade Area's etc. with third parties.

Solution 2.

A company is said to be thinly capitalized when its capital is made up of a much greater proportion of debt than of equity. Under this context of Transfer pricing in Rwanda, the thin capitalization occurs when the debt is more 4 times of equity.

Solution 3.

Bilateral conventions or agreements relief: These are bilateral agreements for relief from double taxation. This involves countries affected negotiating an agreement with a view to minimise or eradicate effects of double taxation.

Unilateral relief: This is the situation where one country decides to remove the burden of double taxation from international trade by opting to give relief for foreign taxation on a unilateral basis i.e. without regard to whether the other taxing country extended relief or not.

Solution 4.

Step 1

Gross income received by Mr. Alex = FRW1,200,000 + 3,600,000 = FRW 4,800,000

Step 2: Gross tax liability of FRW 4,800,000

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
Above 200,001	30%	4,600,000	1,380,000
Total Tax Liability			1,404,000

Step 3: Tax liability on income received from Rwanda of FRW 1,200,000

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
Above 200,001	30%	1,000,000	300,000
Total Tax Liability			324,000

Step 4

The tax liability that should have been paid in Canada is equal to gross tax liability minus tax liability on income received from Rwanda= FRW 1,404,000 - FRW 324,000 = FRW 1,080,000

Step 5

Double taxation relief; the lower between tax liability that should have been paid and actual tax paid.

Tax liability that should have been paid: FRW 1,080,000

The actual tax paid: FRW 1,100,000

Double taxation relief is FRW 1,080,000, the lower between two.

Step 6

The tax liability

Gross tax liability FRW 1,404,000

Less double taxation relief FRW 1,080,000

Tax liability FRW 324,000

Solution 5.

Step 1

Total income received by CL Ltd = (FRW 15,000,000 - FRW 8,400,000) + (600,000 * 5) = FRW 6,600,000 + FRW 3,000,000 = FRW 9,600,000.

Step 2

Total tax liability= FRW 9,600,000*30% = FRW 2,880,000

Step 3

Tax liability on income received from Rwanda= (FRW 15,000,000 – FRW 8,400,000) * 30% = FRW 1,980,000.

Step 4

Tax liability that should have been paid in South Africa= FRW 2,880,000 - FRW 1,980,000 = FRW 900,000

Step 5

Double taxation relief; the lesser between Tax liability that should have been paid in South Africa and actual tax paid:

Tax liability that should have been paid: FRW 900,000

Actual tax paid (210,000 * 5) = FRW 1,050,000

The lesser is FRW 900,000, Hence the double taxation relief is FRW 900,000

Step 6

The tax liability to be paid by CL Ltd for the year ended 31st December 2022 is equal to;

Total tax liability	FRW 2,880,000
Less double taxation relief	FRW 900,000
Tax liability	FRW 1,980,000

7.9. Additional activities

7.9.1. Remedial activities

Q1. Transactions between which of the following parties could be subject to transfer pricing adjustments?

1. Unmarried individual in a long-term relationship.
2. A parent company and its subsidiaries.
3. A company and the bank with which the company's deposits are held.
4. A company and its controlling shareholder who is an individual.
 - a. 1 and 4
 - b. 2 and 3
 - c. 1 and 3
 - d. 2 and 4

Answer

The correct answer is d; both a parent company and its subsidiaries and a company and its controlling shareholder who is an individual are subject to transfer pricing adjustment in case transacted between them.

Q2. Kalisa, a Rwandan resident, had received an employment income of FRW 500,000 from Akaseke, a non-profit making organization and also received income from Mauritius equivalent to FRW 800,000 net of tax

of FRW 250,000 for the month of January 2022. Rwanda had a double taxation agreement with Mauritius.

Required: Calculate the double taxation relief that Rwanda granted to Kalisa and the tax payable by Kalisa in Rwanda.

Answer

Step 1: Gross income received by Kalisa = FRW 500,000 + FRW (800,000 + 250,000) = FRW 1,550,000

Step 2: Gross tax liability of FRW 1,550,000

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
Above 200,001	30%	1,350,000	405,000
Total Tax Liability			429,000

Step 3

Tax liability on income received from Rwanda of FRW 500,000

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0 - 60,000	0%	60,000	0
60,001 - 100,000	10%	40,000	4,000
100,001 - 200,000	20%	100,000	20,000
Above 200,001	30%	300,000	90,000
Total Tax Liability			114,000

Step 4

The tax liability that should have been paid in Mauritius is equal to gross tax liability minus tax liability on income received from Rwanda = FRW 429,000 - FRW 114,000 = FRW 315,000

Step 5

Double taxation relief; the lower between tax liability that should have been paid and actual tax paid.

Tax liability that should have been paid: FRW 315,000

The actual tax paid: FRW 250,000

Double taxation relief is FRW 250,000 the lower between two.

Step 6

The tax liability

Gross tax liability FRW 429,000

Less double taxation relief FRW 250,000

Tax liability FRW 179,000

7.9.2. Consolidation activities

Q1. Chris, a married Rwandan resident, had income of FRW 550,000 for year of income 2022 and also received income from Zambia net of tax Zambian Kwacha 80,000. The tax deducted in Zambia was Zambian Kwacha 30,000.

Note:

Rwanda has no double taxation agreement with Zambia.

1. Zambian Kwacha = FRW 58

Required

The tax payable by Chris in Rwanda

Explain the effect to Chris resulted from absence of double taxation agreement between Rwanda and Zambia.

Answer

a)

Step 1

Gross income received by Chris = FRW550,000+ FRW (80,000+30,000) *58 =
FRW 550,000 + FRW 6,380,000= 6,930,000

Step 2

Gross tax liability of FRW 6,930,000

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0-720,000	0%	720,000	0
720,001-1,200,000	10%	480,000	48,000
1,200,001-2,400,000	20%	1,200,000	240,000
Above 2,400,001	30%	4,530,000	1,359,000
Total Tax Liability			1,647,000

Step 3

Tax liability on income received from Rwanda of FRW 550,000

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0-720,000	0%	550,000	0
720,001-1,200,000	10%	-	-
1,200,001-2,400,000	20%	-	-
Above 2,400,001	30%	-	-
Total Tax Liability			0

Step 4

The tax liability that should have been paid in Zambia is equal to gross tax liability minus tax liability on income received from Rwanda= FRW 1,647,000 - FRW 0 = FRW 1,647,000

Step 5

Double taxation relief; the lower between tax liability that should have been paid and actual tax paid.

Tax liability that should have been paid: FRW 1,647,000

The actual tax paid: (30,000*58) FRW 1,740,000

Double taxation relief is FRW 1,647,000 the lower between two but this would not be deducted as double taxation relief because Rwanda has no double taxation agreement with Zambia.

Step 6

The tax payable

Gross tax liability	FRW 1,647,000
Less double taxation relief	FRW 0
Tax liability	FRW 1,647,000

b)

Because Rwanda has no double taxation agreement with Zambia, Chris will suffer double taxation, this means that Chris is supposed to pay an equivalent of $FRW 30,000 \times 58 = FRW 1,740,000$ in Zambia and $FRW 1,647,000$ in Rwanda as well and in total, Chris is supposed to pay $FRW 3,387,000$, which is the loss to Chris resulted from absence of double taxation agreement between Rwanda and Zambia, because in case Rwanda has a double taxation agreement with Zambia, Chris was supposed to pay only $FRW 1,740,000$ in Zambia and $FRW 0$ in Rwanda as he was supposed to get the double taxation relief of $FRW 1,647,000$.

Q2. Mulindi Company Ltd (MC Ltd) is a registered company in Rwanda which manufactures and sells the construction materials. During the year ended 30 June 2021, MC Ltd generated an additional income equivalent to $FRW 50,000,000$ from Turkey and paid the tax there at rate of 28%. Rwanda has signed the double taxation agreement with Turkey.

Required:

Compute the tax rate that MC Ltd is due on income received from Turkey.

Answer

The tax rate will be equal to different between Corporate Income Tax rate that MC Ltd is supposed to pay in Rwanda and Tax rate relief paid in Turkey.

Thus,

CIT Rate in Rwanda is	30%
Tax rate relief	(28%)
Tax rate that MC Ltd is due on income received from Turkey	2%

7.9.3. Extended activities

Q1. Mr. Moses was resident of Rwanda in the year of income 2021, during that year he used to work some weekends in Belgium and where earned net income amounted to Euro 650. Taxes paid on Belgium's income amounted to Euro 175. His gross employment income from Rwanda was FRW950,000 (PAYE deducted FRW184,800). Further, he had provided monthly communication allowance of FRW 40,000 used in both business and private activities.

Other income received by Mr. Moses:

Rental income of FRW 400,000 after deducting: cost of furniture and fittings FRW 250,000, and caretakers' wages FRW 12,000 per month.

Assume the applicable exchange rate was FRW 1,150 to Euro 1 and Rwanda has signed a double taxation agreement with Belgium.

Required:

Double taxation relief (if any) due to Mr. Moses for the year of income 2021.

Tax payable (or refundable) by Mr. Moses for the year of income 2021.

Answer

Step 1

Income received by Mr. Moses from Belgium = $\text{FRW } (650+175) * 1,150 = \text{FRW } 948,750$

Income received by Mr. Moses from Rwanda:

Employment income

Gross Income FRW 950,000 plus communication allowance 20% (FRW 40,000*12) = FRW 950,000 + FRW 96,000 = FRW 1,046,000

Rental Income:

Net Income: FRW 400,000

Add back

Furniture and fittings FRW 250,000

Total FRW 650,000

Less

Tax depreciation (250,000 * 25%) = FRW 62,500

Adjusted net rental income FRW 587,500

Income from Rwanda= FRW 587,500+ FRW 1,046,000= FRW 1,633,500

Total income from both Rwanda and Belgium= FRW 948,750 + FRW 1,633,500= FRW 2,582,250

Step 2

Gross tax liability of FRW 2,582,250

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0-720,000	0%	720,000	0
720,001-1,200,000	10%	480,000	48,000
1,200,001-2,400,000	20%	1,200,000	240,000
Above 2,400,001	30%	182,250	54,675
Total Tax Liability			342,675

Step 3

Tax liability on income received from Rwanda of FRW 1,633,500

Tax band	Tax rate	Taxable base	Amount (FRW)
	A	B	C=B*A
0-720,000	0%	720,000	0
720,001-1,200,000	10%	480,000	48,000
1,200,001-2,400,000	20%	433,500	86,700
Above 2,400,001	30%	-	-
Total Tax Liability			134,700

Step 4

The tax liability that should have been paid in Belgium is equal to gross tax liability minus tax liability on income received from Rwanda= FRW 342,675 - FRW 134,700= FRW 207,975

Step 5

Double taxation relief; the lower between tax liability that should have been paid and actual tax paid.

Tax liability that should have been paid: FRW 207,975
 The actual tax paid: (175*1,150) FRW 201,250
 Double taxation relief is FRW 201,250 the lower between two.

Step 6

The tax payable/ Refundable

Gross tax liability FRW 342,675
 Less:- Double taxation relief FRW 201,250
 Less PAYE actually paid FRW184,800
 Tax Refundable (FRW 43,375)

Q2. Syca Ltd is company registered in Rwanda and producing the IT equipment, during the year ended 30 June 2022 its Profit or loss account shows the following:

Details	Amount in FRW	Amount in FRW
Revenue		1,800,000
Expenses		
Cost of goods sold	500,000	
Purchase of Machine for fixing the computer	600,000	
Provision of bad debt	100,000	
Wages and salaries	800,000	
Donation to political party	50,000	
Total expenses		(2,050,000)
Profit or loss		(250,000)

Additional information

Syca Ltd paid FRW 150,000 of tax installment for the year ended 20 June 2022 During that year Syca Ltd also received a net income of USD 1200 from the other business in UK after deducting USD 200 of advertisement and tax of USD 400. Rwanda and UK have a double taxation agreement.

1 USD = FRW 1,000

Required:

Compute the tax due to Rwanda Revenue Authority by Syca Ltd for the year ended 30 June 2022.

Answer**Step 1**

Total taxable income received by Syca Ltd.

Taxable Income received from Rwanda

Details	Amount in FRW	Amount in FRW
Reported Loss		(250,000)
Add non-deductible expenses		
Purchase of Machine for fixing the computer	600,000	
Provision of bad debt	100,000	
Donation to political party	50,000	
		750,000
Adjusted taxable income		500,000

Taxable income received from UK= FRW (1,200+400) * 1,000= FRW 1,600,000

Note: Advertisement has not added back because it is allowable expenses.

Total taxable income= FRW 500,000+ FRW 1,600,000= FRW 2,100,000

Tax liability on total taxable income= 30%* FRW 2,100,000= FRW 630,000

Step 2

Tax liability on taxable income in Rwanda= FRW 500,000*30%= FRW 150,000

Step 3

Tax that should have been paid in UK= FRW 630,000 - FRW 150,000 = FRW 480,000

Step 4

Computation of Double taxation relief

Tax that should have been paid in UK FRW 480,000

Actual tax paid FRW (400*1,000) = FRW 400,000

The double taxation relief is FRW 400,000, the lower between 2

Step 5

Tax due to RRA by Syca Ltd

Total tax liability FRW 630,000

Less

Double taxation relief FRW 400,000

Instalment FRW 150,000

Tax due to RRA FRW 80,000

8.1. Key unit competence: Prepare Taxes declaration and Payment

8.2. Prerequisite (knowledge, skills, attitudes and values)

Learners were introduced in senior 2 (unit 5) to the Taxes in Rwanda where they learned about obligation of tax payer. So, with this prior knowledge, skills, attitudes and values it should help them to know about Tax declarations and payments.

8.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. you can address and give students opportunities to discuss all the cross-cutting issues where possible taking consideration of their environment or community around them.

Environment and sustainability: Environment is one of the greatest factors that can affect both positively or negatively any business activity and one cannot start up a business without the environment. Therefore, great care for environment is crucial. Students are to be advised on the importance of environmental protection and the importance of tax payment that lead growth of government revenues to be used in budget allocation where environmental sector will be given a budget to protect environment.

Gender education: Emphasis throughout this unit has to be put on how both males and females have the equal opportunities to understand and explain the process of tax declaration and tax payment in Rwanda. So that this will encourage people to take the first step in paying their duties to the government.

Inclusive education: In addition to all having equal opportunities to carry out business activities, emphasis has to be put on how we all regardless of

our background, economic or social setup have right to develop an ethical understanding of Rwandan system that do not discriminate. Students need to understand that the customs procedures should not discriminate but promote inclusiveness of all etc.

Peace and Values: You need to emphasize to learners the need to live in peace and harmony with others. Students need to appreciate the role of tax payment in promoting peace and patriotism in the community, the main government source of revenue is from taxes, so as taxes collection increase as well as peace and values budget increase through different government agencies such National Police, National Army and contributes to national development goals.

Standardization culture: You need to emphasize to students the need for standard in a business legal aspect and compliance of laws. This will help them to abide by tax laws as prospective business legal aspects.

8.4. Guidance on introductory activity

Follow the guidance about the introductory activity:

Students in small groups, pairs or individual read and analyse the case study and identify the reasons why business need to be registered, and types of central taxes that a new business need to be registered on.

During the activity, make sure everyone is following and actively participating. Those who are not acting may have to listen attentively without disturbing and should applaud the actors after.

Students share their findings, responses or answers to the activity using an appropriate method such as group presentation, pair-share or large group discussion. Ensure all students are given an opportunity to give their views and should be respected.

Appreciate the team's presentations and remind them that this activity was not meant come to the very right answers but to help them become aware of what to expect in the unit. Answers to the activity will be got as the unit progresses. Guide them to take notes in their books referring to learners' book.

You can support student's answers by referring to possible answers to the introductory activity below:

Possible answers for introductory activity (case study)

Note: These responses may be shared or not with the students. They are specifically to guide you while harmonizing students' responses during presentation.

1. According to Article 9 of the Law N° 027/2022 of 20/10/2022 establishing taxes on income, an individual who carries out taxable income generating activities prepares an annual tax declaration in accordance with procedures specified by the tax administration. That why she is supposed to be registered in tax administration.
2. Ineza' Enterprise should register for the following taxes:
 - Personal Income Tax
 - Pay As you Earn for the accountant and RSSB contributions of the Accountant
 - Value Added Tax, by voluntary.
3. Yes, apart from taking cheque to bank, an accountant can also use the following methods
 - Payment by mobile service
 - Payment by IREMBO services
 - E-banking

8.5 List of lessons/sub-heading

Headings	#	Lesson title/sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
		Introductory activity	Arouse the curiosity of the student on the content of unit 8	1
8.1 Taxes declaration	1	– Definition of Tax declaration and Requirement for the taxes declaration	Define Taxes declaration and Explain requirement of Taxes declaration	3

8.2 Process of Taxes and RSSB Contribution declarations	1	Mandatory information on declaration, Methods of Taxation and RSSB Contributions declaration	Identify Mandatory information on declararion , methods used for taxes and RSSB Contributions declaration	4
8.2 Process of Taxes and RSSB contributions declaration	1	Process of Taxes	Interpret the process of tax declaration for direct taxes	3
	2	RSSB Contributions declaration	Identify process of Taxes and RSSB Contribution declaration	3
8.3 Print out of a Tax declaration and Methods of Tax payment	1	Process print out a tax declaration form and Methods of Tax payment	Produce print out a tax declaration Identify the methods of tax payment	3
8.4 Filing system	1	– Definition of filing system and The purpose of filing system	Identify Importance of filing system and the purpose of filing	3
	2	Methods of filing system, Advantages and disadvantages methods of filing	Identify methods used of filing document , advantages and disadvantages methods of filing	4
	3	– Characteristics of good filing system.	Identify the characteristics of good filing	3
8.5. End Unit Assessment				3

Lesson 1: Tax declaration

a) Learning objectives

Definition of Taxes declaration and Explain requirement of Taxes declaration and Identify Mandatory information on declaration, methods used for taxes and RSSB Contributions declaration.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objective link to the key unit competence.

d) Learning activities

Activity 8.1

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners' different abilities. During this activity ensure that students have understood the instructions, prompt and probe them through question-and-answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other

students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answers to Activity 8.1

Answers

INEZA Trading Ltd mandatory documents to attach the tax return:

- Profit and loss account
- Balance sheet
- Transfer pricing document if any transfer pricing activities
- Certified (audited) financial statements
- Company representative form

Application activities 8.1

Students analyse and discuss about the questions either in groups or in pairs and come up with possible answers. This activity may be given as a research question or homework.

Depending on the purpose of the application activity, choose an appropriate method to assess student's findings, answers or responses. Depending on the performance or results, you may decide to give remedial or extension activities.

Answers to application activity 8.1

Q1. Tax declaration: Tax declaration is made by completing a form prepared by the Fiscal Administration,

Q2. Identify income tax in Rwanda.

- Professional income tax
- Rental income tax
- Individual income tax
- Corporate income tax

Q3. The deadline to declare and pay Trading License Taxes: is 31st January of current year

Lesson 2: Process of Taxes and RSSB Contribution declarations

a) Learning objective

Interpretation of the process of tax declaration for direct taxes.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

In previous lesson, lesson 1 Students studied for meaning of tax declaration and payment that will help to follow and understand each process of declaration learnt in this lesson.

d) Learning activities

Activity 8.2

- Before the day of starting this lesson, give a student homework of making research on declaration process.
- At start of the lesson Put students in small groups and give clear instructions about the activity.
- Let each group share information about the findings
- Pick out a correct step at side, try to input the missing steps and arrange declaration steps by order.

Answer to Activity 8.2

Process of tax declaration:

- Pay domestic Tax
- Log in by TIN and Password
- Tax Declaration
- New Declaration
- Choose original and submit

- Find pending Document Number and click on it
- Fill Declaration form and save
- Continue with uploading Annex
- Compare annex with declaration form

e) Application activities 8.2

Students can be given an individual activity to carefully read the question and understand it. Give clear instructions such as avoiding all cheating ways. Students are to submit their answer sheets to teacher. Teacher should monitor the activity to ensure students are doing their own work.

Teacher makes correction of papers to assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to application activity 8.2

Methods of declaration

1. M-declaration

M-Declaration is a system designed to allow certain types of taxpayers to declare Income Tax through their mobile phones.

2. E-declaration

E-declaration is an online declaration using portal through which all domestic tax types can be declared. This can be done online or with the help of staff at RRA offices

Lesson 3: Print out of acknowledgement receipt for tax declaration and Methods of Tax payment

a) Learning objective

Produce and print out acknowledgement receipt and identify the methods of tax payment.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 8.3

- Put students in small groups and give clear instruction about the activity
- Ask them to look at the picture in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary for showing requirements that any taxpayer needs to start a shop. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 8.3

1. - Mobi cash, the way of payment taxes
 - Computer to print out EBM Invoices
 - Tax Administration logo and RSSB logo
2. Acknowledgement receipt / Invoice

Application activities 8.3

Activity 8.3

- Group students into small groups
- Take them to Computer lab.
- Invite accountant of school and he printed the acknowledgement receipts for one of declared taxes
- Ask him to pay that tax by E-banking.
- If school does not use E-banking ask an accountant to show student how to fill cheque and payment order taken to bank.

Answer: Modes of payment

1. Paying Taxes online using Internet Banking and E-Payment

Option 1: Using the banks' internet banking systems

All commercial banks in Rwanda now offer internet banking services.

Option 2: Using the Domestic Taxes E-Payment system

In the case of domestic taxes, after submitting the declaration it is possible to directly access the domestic taxes E-Payment system, by clicking 'E-payment'.

2. Paying taxes on mobile phones using MTN Mobile Money

Paying taxes through mobile money is currently only available on MTN Mobile Money.

To pay through an MTN Mobile Money agent, provide the agent with the RRA Reference Number from the Acknowledgement Receipt and sufficient funds to cover the amount payable, including transaction fees.

3. Paying taxes through agents with Mobicash

Paying taxes with Mobicash is currently only available through Mobicash agents. The taxpayer does not need to register with Mobicash to pay taxes through an agent.

4. Paying taxes at a Bank

Taxes can be paid at all registered commercial banks in Rwanda. This can be done using a cash deposit slip or by bank cheque

Lesson 4: Filing system

a) Learning objective

Identify Importance of filing system and the purpose of filing.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, text books and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 8.4

- Put students in small groups and give clear instruction about the activity
- Ask them to read the scenario in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary for showing requirements that any taxpayer needs to start a shop. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 8.4

1. After payment he should file those proofs of payments with copy of invoices.
2. Filing is all about classifying, arranging and storing record so that they can be located when required. It is also the process of collecting and arranging records or their copies in such a way so that whenever it is needed it could be found very easily.

e) Application activities 8.4

Students can be given an individual activity to carefully read the question and understand it. give clear instructions such as avoiding all cheating ways. Students are to submit their answer sheets to teacher. Teacher should monitor the activity to ensure students are doing their own work.

Teacher make correction of papers to assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 8.4

Answer 1.

Alphabetical classification

The filing method under which files and folders are arranged in order of alphabets of the names of person or institution concerned with such file is alphabetical classification. In case name of more than one person starts with same letter then second letter of name is taken into consideration. It is flexible method. It is used in both small and large organization.

Numerical classification

The filing method under which files and folders are arranged in order of number is called numerical

classification. All files and folders are given separate numbers. It is indirect method of classification of filing. In this filing alphabetical index is required. It includes name, address, phone number, subject and other information along with file number.

Answer 2

Advantages:

- Simple and easy to understand
- Doesn't need separate index
- It is flexible.

Skills lab activity 1

Guidance on the skills lab activity:

In conducting this skills lab activity, you can ask an accountant of your school the day when he/she will declare taxes based on his/her schedule.

Prepare your students by grouping them into groups and request access to computer lab basing on the available date of school accountant.

i. Build

- Put students in the groups
- Give them clear guidelines about how they will behave in computer lab
- Invite school accountant to do tax declaration and ask for an accountant to do it slowly.

- Use Projector
- Accountant should start from preparation of annexures.
- Allow students to ask questions.
- NB: No student allowed to click on menu differently with what accountant clicked on.

ii. Practice

- Accountant make sure that the internet connectivity is full.
- Accountant should visit RRA Website (www.rra.gov.rw).
- Accountant should put School credentials(TIN and Password)
- Start with downloading annexures and fill them
- Go to new declaration menu and open a given document number
- Continue with filling declaration form and save
- Compare annexures with declaration form
- Certify and submit

iii. Present

During the group presentation, the teacher must assess whether the student participation in the skills lab activity was effective by:

- Selecting randomly anyone in all groups to present the report on behalf of team members using projector
- Allow students to ask question to their fellows.
- All team members being presenting are expected to contribute to the plenary by answering some questions that the presenter is not covering as well as expected.

iv. Conclusion

The teacher emphasizes on the objective of the research reminding students that they were expected to understand the process of declaration for different tax type. After this practice, students should be able to declare some of taxes, and to apply these skills in their business after their studies or by helping tax payers in tax declaration services and comply with all deadlines per tax as indicated in the tax law.

8.6. Summary of the unit

1. Meaning of tax declaration

Tax declaration is made by completing a form prepared by the Fiscal Administration.

The determination of the payable tax is made in the 1st degree by the taxpayer by way of declaration.

In the 2nd degree, the declaration filed by the taxpayer is verified by the Fiscal Administration.

The taxpayer is obliged to file a declaration even when no profit was made during the taxable period.

According to Article 9 of the Law N° 027/2022 of 20/10/2022 establishing taxes on income, an individual who carries out taxable income generating activities prepares an annual tax declaration in accordance with procedures specified by the tax administration.

2. Computation and payment of income tax

The amount of tax to be paid is calculated on the basis of the annual basic declaration, reduced by:

- i. the tax withheld on taxable income; with the exception of the tax withheld on employment income, as well as on income to which lump sum tax or flat tax are applied;
- ii. the prepayments made every quarter.

Income tax is paid to the Tax Administration starting from the date of declaration and not later than 31 March of the year following the tax period through procedures specified by the Tax Administration unless otherwise provided.

3. Methods of declaration

Mobile declaration

Here, the declaration is done via mobile phones by following prescribed steps such *800*# press yes. This mode is likely used by small and medium tax payers.

E-declaration

This is the way of making declaration by using internet and E-tax portal at distance.

E-Tax is an online portal through which all domestic tax types can be declared. This can be done online or with the help of staff at RRA offices. RRA has developed the E-Tax system to make it easier for taxpayers to declare and pay domestic taxes.

4. Declaring PAYE and RSSB Contributions

To facilitate taxpayers, RRA and Rwanda Social Security Board (RSSB) have introduced a unified declaration, where PAYE and all RSSB contributions (except for voluntary Pension Scheme) can be declared together.

The original method of declaring PAYE and each of the RSSB contributions separately is still available. However, RRA is encouraging the use of the unified declaration, and recommends that any newly declaring taxpayers should use the unified declaration.

Therefore, this tax handbook focuses on the declaration process for the Unified PAYE and RSSB declaration. The process for the original method is very similar, but must be repeated for each of the separate tax types and RSSB contributions.

5. Modes of tax payments

After submission of your tax declaration, you find acknowledgement invoice where you find tax payable.

You have to choose one of the following payment methods to pay tax liability:

- Online using Internet Banking and E-Payment.
- On mobile phones or through agents using MTN Mobile Money.
- Through Mobicash agents.
- In person at a bank.

6. Filing

After paying tax you should file the supporting documents that why there are different methods of filing.

- Alphabetical.

- Numerical,
- Geographical,
- Chronological

8.7. Additional information for teachers

Teacher should visit RRA websites, go to publications and read tax law in Rwanda especially tax procedures and read articles related to payment and declaration.

Teacher also should go to you tube and use DUHUGURANE as link for having more skills related to declaration for all tax types and should share this link to students.

Teacher should also be aware on filling annexures where each column should be filled and pay attention on dates mode, he should know about valid invoices and invoice period thus allowable invoices are invoices generated by EBM.

In declaration, Teacher should be aware about rectification and revise,

Rectification happens in case after submission tax declaration, a tax payer realize that he has committed error after payment.

But revise happens in case a tax payer committed error, but before deadline of declaration and payment, a tax payer can revise declaration to find another acknowledgment invoice and also revise declaration can be done by tax administration in case they want to record audit results or other assessments done by tax administration.

8.8. End unit assessment (answers)

Q1. Tax declarations for all registered tax types must be submitted for tax periods from the date the taxpayer was registered.

Even if there is no business activity within the first, or subsequent, tax periods, the declarations must still be submitted to avoid penalties

Q2. Filing: Is work of arranging documents in the correct files. The activity of putting documents, into files.

Q3. Discuss the quality of goods filings

- **Simplicity:** a good filing system should be simple to operate.
- **Economical:** a good filing system should be economical.
- **Accessibility:** good filing system should be easily accessible
- **Compactness:** a good filing should not occupy too much office space.
- **Flexibility:** a good filing system should be flexible.

Q4. Identify any three (3) methods of good filing

Filing in Alphabetical order

Filing in Numerical order / by number

Filing in Geographical order /by places

Filing in chronological order / by dates.

Filing in Category / by subject

Q5.

- a) Taxpayers are required to fill the total turnover/revenues/total sales of the quarter under declaration (Here for our case is January to March 2020). As RRA is not requiring taxpayers to produce financials for each three months, the system will compute internally the tax to turnover ratio of previous year (2019) and apply it to the quarterly total turnover/revenues/total sales of the quarter to determine the IQP payable.

Total sales of FRW 10,000,000 (Quarter January to March 2020)

Total sales/revenue declared 2019 = FRW 50,000,000

Annual tax computed in 2019 = FRW 80,000

Tax to turnover ratio (2019) = $\frac{80,000}{50,000,000}$

IQP payable = 10,000,000 * $(\frac{80,000}{50,000,000})$ = **FRW 16,000**

- b) Jean-Baptiste must declare and pay IQP of FRW 16,000 by 30th June 2020.

8.9. Additional activities

8.9.1 Remedial activities

Q1. What are the additional requirements for 'Certified Financial Statements'?

Answer: A taxpayer with annual turnover of equal to or above FRW 400,000,000 is also required to submit 'Certified Financial Statements'

Q2. What are the main objectives of filing system?

Answer: Objectives of filing system.

- a) It helps to keep all records together so the history of office can be understood.
- b) It helps to provide safety place for storage of necessary documents in order to use and locate then when required.
- c) To make records readily and easily available.
- d) It can be used as evidence in case of dispute
- e) It helps in some legal formalities.
- f) It is shown as profit or legal evidence.
- g) It can be presented as a legal document in court.
- h) It helps to make future plans. Past records are the base of future records.

Q3. Outline the advantages of declaring online or on mobile phones.

- a) Declare taxes anytime, from anywhere.
- b) Avoid travel costs of visiting RRA offices.
- c) Avoid queuing times at RRA offices.

8.9.2. Consolidation activities

Q1. When is the deadline to declare and pay.

- a) Income Tax (PIT or CIT)
- b) Rental Income Tax
- c) Immovable property

Answer:

- a) Income Tax (PIT or CIT): 31st March of following year
- b) Rental Income Tax: 31st January of following year
- c) Immovable property: 31st December of same year

Q2. The following are types of the taxes collected in Rwanda. Fill the table below by putting each tax to its corresponding categories:

Corporate income tax, property taxes, rental taxes, withholding tax, trading license tax

Taxes collected by the government of Rwanda	Taxes collected by the district

Answer:

Taxes collected by the district:

- Property taxes
- Rental taxes
- Trading license tax

Taxes collected by the government of Rwanda

- Corporate income Tax
- Withholding tax

8.9.3. Extended activities

Q1. When is the deadline to declare and pay the RSSB contribution and PAYE?

Answer: Declaration of tax and remittance of RSSB contributions should be done monthly.

On monthly basis

Declaration of tax and remittance of contributions are made on monthly basis; **not later than the 15th day** of the month following the month to which the contributions relate.

Q2. Discuss the deadline to declare and pay VAT

Answer

VAT is declared and paid on a monthly basis. Alternatively, taxpayers with annual turnover below FRW 200,000,000 may request to declare on a quarterly basis.

Whether monthly or quarterly, the VAT declaration must be submitted and paid by the 15th of the month following the end of the tax period.

This means that monthly declarations concerning the tax period between March 1st and March 31st must be declared to RRA and paid by April 15th. Then declarations concerning the tax period between April 1st and April 30th must be declared to RRA and paid by May 15th and so on throughout the year.

The quarters for taxpayers declaring VAT on a quarterly basis concern the tax period between:

- March 1st to May 31st must be declared and paid by 15th June.
- June 1st to August 31st must be declared and paid by 15th September.
- September 1st to November 30th must be declared and paid by 15th December.
- December 1st to February 28th (or 29th if a leap year), must be declared and paid by 15th March.

Note: The Commissionaire General has issue an instruction adjusting the start of the quarter as follows: Quarter 1: January to March and pay by 15th April and so on...

9.1. Key unit competence: Identify tax administration according to rules and regulations

9.2. Prerequisite (knowledge, skills, attitudes and values)

Learners were introduced in taxation in senior 5 (unit 8) to the tax declaration and payment. So, with this prior knowledge, skills, attitudes and values it should help them to appreciate the effectiveness of tax administration.

9.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the cross-cutting issues where possible taking consideration of their environment or community around them.

Environment and sustainability: Environment is one of the greatest factors that can affect both positively or negatively any business activity and one cannot start up a business without the environment. Therefore, great care for environment is crucial. Students are to be advised on the importance of environmental protection and the importance of tax administration in reducing tax fraud or evasion within the country.

Gender education: Emphasis throughout this unit has to be put on how both males and females have the equal opportunities to identify tax administration according to rules and regulations. So that this will encourage people to take the first step in paying their taxes to the government.

Inclusive education: In addition to all having equal opportunities to carry out business activities, emphasis has to be put on how we all regardless of our background, economic or social setup have right to develop an ethical

understanding of tax administration that do not discriminate. Students need to understand that the tax administration should not discriminate but promote inclusiveness of all etc.

Peace and Values: You need to emphasize to learners the need to live in peace and harmony with others. Students need to appreciate the effectiveness of tax administration in promoting peace and patriotism in the community avoiding activities that are illegal e.g. smuggling and make sure that every trade they plan to have is legal and contributes to national development goals.

Standardization culture: You need to emphasize to students the need for standard in a business legal aspect. This will help them to abide by standards of tax administration as prospective business legal aspects

9.4. Guidance on introductory activity

Follow the guidance about the introductory activity:

Students in small groups, pairs or individual read and analyse the scenario and enumerate the importance of Rwanda revenue authority and the purpose of tax audit to the government.

During the activity, make sure everyone is following and actively participating. Those who are not acting may have to listen attentively without disturbing and should applaud the actors after.

Students share their findings, responses or answers to the activity using an appropriate method such as group presentation, pair-share or large group discussion. Ensure all students are given an opportunity to give their views and should be respected.

Appreciate the team's presentations and remind them that this activity was not meant come to the very right answers but to help them become aware of what to expect in the unit. Answers to the activity will be got as the unit progresses. Guide them to take notes in their books referring to learners' book.

You can support student's answers by referring to possible answers to the introductory activity below:

Possible answers for introductory activity (case study)

Note: These responses may be shared or not with the students. They are specifically to guide you while harmonizing students' responses during presentation.

1. Explain to parents the essence of paying compulsory contribution to government to allow it ensuring the minimum service to general public like tax to finance different government activities such as road, schools, hospitals, vaccination programme against Covid19, etc...
2. The purpose of taxation is to provide money to government collected from its citizens to pay for public services

9.5. List of lessons/sub-heading

Headings	#	Lesson title/sub-headings	Learning objectives	Number of periods
Description of the Tax administration (Rwanda Revenue Authority)		Introductory activity	Arouse the curiosity of students on the content of unit 9.	1
	1	General introduction of tax administration	Identify general introduction of tax administration	2
	2	Description of Tax payer recruitment, registration and de-registration	Identify Description of tax payer recruitment, registration and de-registration.	1
	3	Registration and De-registration procedures	Describe Registration and De-registration procedures	2
9.2 Self-assessment	1	Self-assessment	Identify the Self-assessment	1

9.3 Tax audit	1	General introduction on tax audit	Identify the General introduction on tax audit	1
	2	Types of audits	Explain the Types of audits	2
	3	Features of an effective audit plan	Identify the features of an effective audit plan	1
	4	Tax arrears, Debt classification And Enforcement plan	Explain Tax arrears, Debt classification And Enforcement plan	1
9.4 End unit assessment				2

Lesson 1: Description of the Tax administration (Rwanda Revenue Authority)

a) Learning objective

- Identify general introduction of tax administration
- Identify Description of tax payer recruitment, registration and de-registration.
- Describe Registration and De-registration procedures

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objective link to the key unit competence.

d) Learning activities

Activity 9.1

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners' different abilities. During this activity ensure that students have understood the instructions, prompt and probe them through question-and-answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answers to Activity 9.1

Core values of Rwanda Revenue Authority are:

- We are Customer-Focussed
- We act with Integrity
- We are Accountable
- We work as a Team
- We are Professional

e) Application activities 9.1

This activity can be given as a normal individual activity, where students identify general introduction of tax administration.

Monitor the activity to ensure students are on track and actively participating.

You make correction of papers Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to application activity 9.1

Q1.

- a) True
- b) True
- c) False

Q2. De-registration is where a taxpayer is removed from the obligations to declare a certain tax.

Q3. It is free to register a business in Rwanda. It is free to register online and at RDB and BDF offices

Q4.

- 1. b
- 2. d
- 3. a

Lesson 2: Self-assessment

a) Learning objective

Identify the self-assessment

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

In previous lesson, lesson 1 Students studied for description of the Tax administration (Rwanda Revenue Authority)

That will help to identify the self-assessment learnt in this lesson.

d) Learning activities

Activity 9.2

- Put students in small groups and give clear instruction about the activity
- Ask them to read the scenario in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary for why making a self-review in the business is important. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 9.2

Self-review helps to know the:

- Recovery of tax
- Interest
- Penalties and all costs incurred collection.

e) Application activities 9.2

This activity can be given as a normal individual activity, where students Explain the excise duty and the person required to register for excise duty, explain the obligations of excise registered taxpayers and valuation methods of excise duty, identify the taxable products, rates of excise duty and Compute Excise duty

Monitor the activity to ensure students are on track and actively participating.

You make correction of papers Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work

Answers to application activity 9.2

Q1. This is the calculation of the amount of taxable income and gains after deducting relief and allowances; a calculation of income tax payable after taking into account tax deducted at source and tax credits on dividends. Thus, it can be considered as examination and computation of the tax payable to the tax administration. It must be fair, accurate and legal bound.

Q2. The notice of assessment mentions:

- The taxpayer's name, taxpayer identification number and address;
- The modalities of calculation of the tax and the amount of tax to be paid;
- The tax declaration or its rectification note, the assessment notice on which the declaration is based;
- The date of issuance of the notice of assessment;
- The address of the Commissioner General to which an appeal has to be sent;
- The conditions to be fulfilled in order to lodge an appeal

Lesson 3: Tax audit

a) Learning objective

- Identity the General introduction on tax audit
- Explain the types of audits
- Identify the features of an effective audit plan
- Explain tax arrears, debt classification and enforcement plan

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Students books, internet and projector, case studies, official gazette text books, resourceful person and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Read the learning objective to determine what students will know and be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives are linked to the key unit competence.

d) Learning activities

Activity 9.3

- Put students in small groups and give clear instruction about the activity
- Ask them to read the scenario in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating

- Invites students to share their findings
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary for identify the features of an effective audit plan, and explain tax arrears, debt classification and enforcement plan. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 9.3

- i) To exam whether taxpayer fulfils his/her required obligations related to tax law
- ii) To make sure that tax payer withhold taxes as required by withholding tax law
- iii) To reduce tax fraud(tax evasion)
- iv) To detect error and fraud committed in the books of accounts specifically on side of non -allowable tax expenses.
- v) To find out challenges face tax payers in their self-assessment and tax filling.

f) Application activities 9.3

This activity can be given as a normal individual activity, where students explain the excise duty and the person required to register for excise duty, explain the obligations of excise registered taxpayers and valuation methods of excise duty, identify the taxable products, rates of excise duty and compute Excise duty.

Monitor the activity to ensure students are on track and actively participating.

You make correction of papers Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work

Answers to Application Activity 9.3

Q1. During audit, the taxpayer must:

1. Provide tax auditors with appropriate working environment;
2. Provide tax auditors with books and records prescribed by this Law and other related documents and provide them with their copies.

Q2. For the state:

- a) Audited companies ensure the accomplishment of fiscal duties regarding companies (payment of taxes and social contributions)
- b) The government is assured that public funds are being well used
- c) The government ensures continuity of business for the purpose of general interest of the people
- d) The state ensures that books of accounts are maintained according to legal requirements and companies act.

Q3. There are three main types of audit:

- Desk audit
- Issue audit
- Comprehensive audit

Desk audits are conducted by RRA staff using information that has already been submitted to RRA.

Issue audits are usually focused on a single tax type, single aspect or single tax period. Refund audits are a type of issue audit, focused on tax declarations claiming refunds from RRA. Issue audits may be desk-based or involve visits to the taxpayer's business premises.

Comprehensive audits are more in-depth and time intensive. These are usually conducted by RRA staff whilst visiting the taxpayer's business premises and reviewing all relevant documents.

Skills lab activity 4

Guidance on the skills lab activity. In conducting this skills lab activity, you can either invite a resource person (RRA) for students to interview him/her where needed.

i) Build

Given that students listen resource person (RRA)

- Remind students on the expected objective for the class attendance
- Help them to be grouped and remember to mix both boys and girls
- Let each team have the representative
- Ensure they have where to keep necessary notes from the findings

- Practice
- Guide students on listening resource person
- Ensure that all are listening
- Respond to any questions for clarification and support accordingly

ii) Present

- Choose randomly any two teams to present their findings
- Allow students to ask question to resource person or their follows

iii) Conclusion

The teacher emphasizes on the objective of the visit reminding students that they have to follow to know tax administration accordingly.

The following are key areas for reference:

Identify tax administration according to rules and regulations

9.6. Summary of the unit

- **Rwanda Revenue Authority**

- ✓ **Official mandate**

The Rwanda Revenue Authority was established under Law No 15/97 of 8 November 1997 as a quasi-autonomous body charged with the task of assessing, collecting, and accounting for tax, customs and other specified revenues. This is achieved through effective administration and enforcement of the laws relating to those revenues. In addition, it is mandated to collect non-tax revenues.

- ✓ **Vision**

“To become a world-class efficient and modern revenue agency, fully financing national needs.”

- ✓ **Mission**

“Mobilise revenue for economic development through efficient and equitable services that promote business growth.”

- ✓ **Core values**

We are Customer-Focussed

We act with Integrity

We are Accountable

We work as a Team

We are Professional

- **Self-assessment**

Tax administration is the system of assessment, declaration, payment and collection of taxes.

- **Tax audit**

- ✓ **Meaning of tax audit**

Tax audit is an examination of whether the taxpayer has correctly assessed and reported the tax liability and fulfils other obligations.

- ✓ **Purpose of tax audit**

- To exam in whether taxpayer fulfils his/her required obligation
- To maximize revenue collected from taxpayer inform of tax
- To reduce tax fraud (tax evasion)
- To detect error and fraud committed in the books of accounts
- To verify the accuracy of the books of accounts

- ✓ **The required from the taxpayers**

- Declaration form
- Acknowledgement receipts
- Accounting source document
- Audit reports of previous years

- **Instruction, guideline for source a tax audit**

- Tax Law
- Ministerial orders
- International auditing standard (IAS) and IFRS (International reporting standard)
- What types of taxpayer is subjected?

- **The objectives and contents of the tax audit report**

- a. Objective of the tax audit report**

- To show for view of taxpayer
 - To prove if a taxpayer is evader
 - To detect and prevent error and fraud

- b. Contents of audit reports**

- Title
 - Address
 - Scope
 - References
 - Opinion
 - Auditor's address
 - Date of report

- ✓ **Action to be taken after and closed tax audit**

- Advice taxpayer
 - Proposed punishment
 - Taxpayers business can be closed
 - Fine and penalties
 - Taxpayer can be appreciated

- **Types of tax audits**

Audit procedure

Tax audit is conducted in one of the following procedures:

1. contradictory procedures;
2. issue-oriented audit;
3. desk audit;
4. audit without notice.

- **Definition of tax arrears**

Tax arrears refer to any amount owned by taxpayers to administration. This include any unpaid taxes after the deadline and unpaid penalties, fines and interest.

9.7. Additional information for teachers

- **Appeal**

- ✓ **The period taxpayer's appeal**

Taxpayers may appeal to RRA against decisions within 30 days following the conclusion of audits and/or receiving any assessment notices of taxes or penalties.

- ✓ **The cost of appeal**

There is no cost of appealing to RRA. However, there may be fees incurred when appealing to the Courts.

- ✓ **The documents might be used to support an appeal**

The types of supporting documents may vary depending upon the circumstances of the appeal, but typically include: invoices, proof of payment, books of account, financial statements and similar.

It is important to note any documents used to support appeals following the conclusion of audits must have also been provided at the time of the audit.

- **Rectification Note**

When the Tax Administration discovers a miscalculation, an omission, a misrepresentation, an understatement of income or any other error in the tax declaration or an assessment, it has the right to issue an adjusted assessment. In this case a rectification note is issued to the tax payer.

In case the tax declaration form is rectified, the Tax Administration sends a rectification note to the taxpayer. The note contains a draft of the adjusted assessment and all the elements leading to the adjusted assessment. The rectification note contains fines determined by the Tax Administration in case of non-compliance with the tax laws.

The taxpayer has the right to give his or her written opinion on the rectification note within thirty (30) days. The taxpayer may also transmit additional evidence or information to indicate that the adjusted assessment is incorrect. The taxpayer has the right to a hearing on condition that he or she requested for it in his or her reply.

The rectification note may be issued in a period of three (3) years, starting from the day of the filing of the tax declaration. A rectification note has to be issued at least on the last day of the three-year period. The prescription mentioned in this paragraph is interrupted if the taxpayer has been informed to be audited by the Tax Administration, when there has been an affidavit thereof or by other deeds of acknowledgement by the taxpayer concerning the tax liabilities and all other provisions provided in the other laws.

- **A rectification note is definitive after:**

A period of thirty (30) days, in case the taxpayer has not replied to the rectification note;

The Tax Administration has sent a notification to the taxpayer declaring that none or a part of the observations or remarks of the taxpayer are upheld;

The hearing of the taxpayer as mentioned under paragraph 2, followed by a written notification by the Tax Administration to the taxpayer declaring that none or just part of the observations or remarks of the taxpayer are upheld. Any rectification note which does not respect provisions of this article is void.

- **Conditions in Auditing and Investigation**

In case of an audit, the Tax Administration is required to inform in writing, the taxpayer the following:

That he or she will be audited at least seven (7) days before the audit is conducted;

The place where the audit is to be conducted and the possible duration of the audit;

Any specific document the tax administration wants to see or any specific information it requires. In case of audit, the taxpayer is required to work effectively with the tax audit team and to do the following:

To provide the team with suitable premises;

To give the team books and records

- **Unique audit principle**

The Tax administration audits a taxpayer only once on a type of tax and for a tax period. However, the Tax administration may conduct a new audit only

once in case of one of the following circumstances:

1. Complicity of the taxpayer and the tax auditor to evade taxes or commit any other act intending to non-payment of required tax;
2. If the first audit was based on forged documents;
3. If the first audit was issue-oriented and the Tax administration wants to conduct a comprehensive audit,
4. When the Commissioner General cancels the first audit based on appeal

- **Investigation**

Exceptionally, the authorized officer may, without notice, visit or enter business premises of the taxpayer or any other person in search of tax information about the taxpayer. If he or she considers it necessary, the authorized officer may search and seize objects or documents related to the business activities of the taxpayer.

The authorized officer, having a search warrant delivered by the Prosecutor, may also enter the residential premises, search and seize objects or documents related to the business activities of the taxpayer, between six 6:00 am and 6:00 pm.

Before the search, the concerned person is given a copy of the search warrant.

An authorized officer who has a search warrant may seek the assistance of the Rwanda National Police or the representatives of decentralized administrative entities of the place of search.

- **Requirements for application**

For search warrant

When applying for a search warrant, the Tax Administration provides to the Prosecutor the following:

1. names, residence and profession of a person to be searched; location of the residence the Tax Administration wants to search;
2. reasons on which the Tax Administration bases its request for the search warrant

- **Tax Recovery Procedures**

Seizure or Attachment of the Taxpayer's Property

When tax is not paid within fifteen (15) days as mentioned, the Tax Administration may attach any movable or immovable property of the taxpayer, whether held by the taxpayer or any other person.

The seized property is sold under a public auction eight (8) days after the taxpayer is notified of the affidavit. If the Tax Administration has serious indications that a supplier is selling taxable goods and such goods have previously not been charged with value added tax, the Tax Administration can seize those goods. If the supplier cannot provide evidence of compliance with the provisions of the value added tax law within fifteen (15) days, the Tax Administration can sell these goods at a public auction.

The seizure and selling of the attached goods takes place according to the law on civil and commercial procedures. In the field of taxation, the bailiffs of the Tax Administration have the same competence as private court bailiffs.

- **Third Parties**

If a tax is not paid within fifteen (15) days as mentioned after then, the Tax Administration may require any person who is a debtor of the taxpayer to pay to the Tax Administration the amount due to the taxpayer against the taxpayer's tax liability.

In case the Tax Administration assumes that a person is a debtor of a taxpayer, it is required to:

- Send a notification to that person;
- Ask the debtor to give a clear explanation of the debt due to the taxpayer;
- Inform the debtor that he or she is required to pay to the tax administration in accordance with the terms and conditions of the contract with the taxpayer or with respect to obligations of the taxpayer;
- Send copies of all the letters to the taxpayer he or she sent to the debtor.

- **The period taxpayers informed about audits**

In the case of desk audits, taxpayers may not be informed about the audit unless a specific problem is identified. Taxpayers will always be invited to offer explanations before being issued with assessment notices.

In the case of issue audits, taxpayers will be notified at least three days beforehand. The postponement of such an issue-oriented audit cannot exceed seven (7) working days.

In the case of comprehensive audits, taxpayers will be notified at least seven days beforehand. If the taxpayer is not ready, they may write to RRA requesting an extension, up to a maximum of thirty days.

9.8. End unit assessment (answers)

Q1. Action to be taken after and closed tax audit are:

- Advice taxpayer
- Proposed punishment
- Taxpayers' business can be closed
- Fine and penalties
- Taxpayer can be appreciated

Q2. Types of tax audits

1. contradictory procedures;
2. issue-oriented audit;
3. desk audit;
4. audit without notice.

Q3.

a. Objective

- To show for view of taxpayer
- To prove if a taxpayer is evader
- To detect and prevent error and fraud

b. Contents of audit reports

Contents of an audit report

Main contents of the audit report are:

Description	Contents
1. Title	1. Auditor's report
2. Address	2. It is addressed to the shareholders or board of directors of a company. It should be normally addressed to shareholders.
3. Scope	3. The scope and extent of the audit is mentioned. It includes the names of financial statements like balance sheet, profit and loss account, name of company and the period of audited statements.
4. References	4. The report indicates the references of companies act, auditing standard and guidelines followed in the conduct of the audit.
5. Opinion	The auditor's opinion is given in the report regarding the financial statements and accounting records. The words "the accounts show a true and fair view" are normally used.
6. Auditor's address	The auditor gives his address
7. Date of report	It means the date on which the auditor submitted this report.

Q4.

Any person who sets up a business or other activities that may be taxable is obliged to register with the Tax Administration within a period of seven (7) days from the beginning of the business activity.

Q5.

Official mandate

The Rwanda Revenue Authority was established under Law No 15/97 of 8 November 1997 as a quasi-autonomous body charged with the task of assessing, collecting, and accounting for tax, customs and other specified revenues. This is achieved through effective administration and enforcement

of the laws relating to those revenues. In addition, it is mandated to collect non-tax revenues.

Vision

“To become a world-class efficient and modern revenue agency, fully financing national needs.”

Mission

“Mobilise revenue for economic development through efficient and equitable services that promote business growth.”

Q6.

Tax Law

- Ministerial orders
- International auditing standard (IAS) and IFRS (International reporting standard)
- What types of taxpayer is subjected?

Q7.

In the case of desk audits, taxpayers may not be informed about the audit unless a specific problem is identified. Taxpayers will always be invited to offer explanations before being issued with assessment notices.

In the case of issue-oriented audits, taxpayers will be notified at least three days beforehand. The postponement of such an issue-oriented audit cannot exceed seven (7) working days.

In the case of comprehensive audits, taxpayers will be notified at least seven days beforehand. If the taxpayer is not ready, they may write to RRA requesting an extension, up to a maximum of thirty days.

Q8.

RRA strategic principles are:

1. Efficiency

We collect more revenue with less resource. Our customers experience our services to be efficient. Our services and products meet international standards.

2. Fairness

We are fair, even-handed and consistent in our treatment of staff and customers. There is transparency in our decision-making, which leads to a stable and predictable environment for our stakeholders. We respond to feedback in a flexible and timely manner.

3. Customer-centred

We take time to understand how customers operate and we tailor our services so that it is easy, simple and cost-effective for our customers to comply.

4. Data and Technology driven

We use data, evidence, and technology to drive our decision-making and inform our operations. We are resilient to threats through the internal controls we build.

9.9. Additional activities (Questions and answers)

9.9.1 Remedial activities

Q1. What is the RDB Business Registration system?

Q2. When person who sets up a business or other activities that are taxable is obliged to be registered by tax administration.

Q3. What is an audit?

Possible answer

Q1.

RDB has developed the business registration system to make it easier for taxpayers to register their business. The RDB system is an online portal through which all businesses are registered.

Q2.

Any person who sets up a business or other activities that may be taxable is obliged to register with the Tax Administration within a period of seven (7) days from the beginning of the business activity

Q3.

An audit is one of the methods RRA uses to ensure that taxpayers are correctly declaring and paying their taxes.

Audits involve RRA checking the relevant documents concerning a taxpayer's tax obligations for any tax period(s) within the past five years.

9.9.2. Consolidation activities

Q1. Describe the contents of audit reports

Q2. Describe the different types of audit

Proposed answer

Q1. Main contents of the audit report are:

Description	Contents
1. Title	1. Auditor's report
2. Address	2. It is addressed to the shareholders or board of directors of a company. It should be normally addressed to shareholders.
3. Scope	3. The scope and extent of the audit is mentioned. It includes the names of financial statements like balance sheet, profit and loss account, name of company and the period of audited statements.
4. References	4. The report indicates the references of companies act, auditing standard and guidelines followed in the conduct of the audit.
5. Opinion	The auditor's opinion is given in the report regarding the financial statements and accounting records. The words "the accounts show a true and fair view" are normally used.
6. Auditor's address	The auditor gives his address
7. Date of report	It means the date on which the auditor submitted this report.

Q2. There are three main types of audit:

- Desk audit
- Issue-oriented audit
- Comprehensive audit

Desk audits are conducted by RRA staff using information that has already been submitted to RRA.

Issue-oriented audits are usually focused on a single tax type, single aspect or single tax period. Refund audits are a type of issue audit, focused on tax declarations claiming refunds from RRA. Issue audits may be desk-based or involve visits to the taxpayer's business premises.

Comprehensive audits are more in-depth and time intensive. These are usually conducted by RRA staff whilst visiting the taxpayer's business premises and reviewing all relevant documents.

9.9.3. Extended activities

Q1. Discuss about the content of the Notice of Assessment

Q2. Describe RRA strategic principles

Proposed solution

Q1. The notice of assessment mentions:

- i. The taxpayer's name, taxpayer identification number and address;
- ii. The modalities of calculation of the tax and the amount of tax to be paid;
- iii. The tax declaration or its rectification note, the assessment notice on which the declaration is based;
- iv. The date of issuance of the notice of assessment;
- v. The address of the Commissioner General to which an appeal has to be sent;
- vi. The conditions to be fulfilled in order to lodge an appeal

Q2. RRA strategic principles are:

1. Efficiency

We collect more revenue with less resource. Our customers experience our services to be efficient. Our services and products meet international standards.

2. Fairness

We are fair, even-handed and consistent in our treatment of staff and customers. There is transparency in our decision-making, which leads to a stable and predictable environment for our stakeholders. We respond to feedback in a flexible and timely manner.

3. Customer-centred

We take time to understand how customers operate and we tailor our services so that it is easy, simple and cost-effective for our customers to comply.

4. Data and Technology driven

We use data, evidence, and technology to drive our decision-making and inform our operations. We are resilient to threats through the internal controls we build.

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