

TAXATION BOOK

for Rwandan Schools

ACCOUNTING PROFESSION OPTION

Senior

4

Teacher's Guide

Experimental Version

Kigali, 2022

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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 mathematical operations, algebraic functions and equations, and basic statistics 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

Director General, REB.

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FOREWORD	iii
ACKNOWLEDGEMENT	v
PART I. GENERAL INTRODUCTION	x
1.1 The structure of the guide	x
1.2 Methodological guidance.....	x
1.2.1 Developing competences.....	x
1.2.2 Addressing cross cutting issues.....	xii
1.2.3 Guidance on how to help students with special education needs in classroom	xiv
1.2.4. Guidance on assessment	3
1.2.5. Teaching methods and techniques that promote active learning	5
PART II: SAMPLE LESSON PLANS	10
PART III: UNIT DEVELOPMENT	17
UNIT1: INTRODUCTION TO RWANDAN TAX SYSTEM	19
1.2. Prerequisite (knowledge, skills, attitudes and values).....	19
1.3. Cross-cutting issues to be addressed:.....	19
1.4. Guidance on introductory activity	20
1.5 List of lessons/sub-heading	22
1.2 Summary of the unit.....	40
1.1. Additional information for teachers.....	44
1.8. End unit assessment (answers)	44
1.9. Additional activities (Questions and answers)	47
1.9.. Remedial activities	47
1.9.2. Consolidation activities	48
1.9.3. Extended activities	50
UNIT 2: LAWS RELATED TO BUSINESS ACTIVITIES	53
2.1. Key unit competence:	53
2.2. Prerequisite (knowledge, skills, attitudes and values).....	53
2.3. Cross-cutting issues to be addressed:.....	53

2.4. List of lessons/sub-heading	56
2.6. Summary of the unit	67
2.9.1. Remedial activities	71
2.9.2. Consolidation activities	72
2.9.3. Extended activities	72
UNIT 3: TAXATION OF EMPLOYMENT INCOME	75
3.1. Key unit competence:	75
3.2. Prerequisite (knowledge, skills, attitudes and values).....	75
3.3. Cross-cutting issues to be addressed:	75
3.4. Guidance on introductory activity	76
3.5. List of lessons/sub-heading	77
3.6. Summary of the unit	89
3.7. Additional information for teachers.....	90
3.8. End unit assessment (answers)	90
3.9. Additional activities (Questions and answers)	93
3.9.2. Consolidation activities	94
3.9.3. Extended activities	96
UNIT 4: TAX DEPRECIATION.....	101
4.1. Key unit competence:	101
4.2. Prerequisites (knowledge, skills, attitudes, and values)	101
4.3. Cross-cutting issues to be addressed:	101
4.4. Guidance on the introductory activity	101
4.5. List of lessons and lesson development.....	102
4.6. Summary of the unit	109
4.7. Additional Information for Teachers	110
4.8. End unit assessment	110
4.9. Additional activities	111
4.9.1. Remedial Activities:	111

4.9.2. Consolidation activities:	112
4.9.3. Extended activities:	112
UNIT 5: THE TAXATION OF INVESTMENT INCOME.....	115
5.1. Key unit competence:	115
5.2. Prerequisite (knowledge, skills, attitudes and values)	115
5.3. Cross-cutting issues to be addressed:.....	115
5.4. Guidance on introductory activity.....	116
5.5. List of lessons/sub-heading	117
5.6. Summary of the unit.....	124
5.7. Additional information for teachers.....	125
5.8. End unit assessment.....	125
5.9. Additional activities	126
5.9.1. Remedial activities	126
5.9.2. Consolidation activities	127
UNIT 6: TAXATION OF INDIVIDUAL BUSINESS PROFITS.....	131
6.1. Key unit competence:	131
6.2 Prerequisites (knowledge, skills, attitudes, and values)	131
6.3. Cross-cutting issues to be addressed:.....	131
6.4. Guidance on the introductory activity	131
6.5. List of lessons and lesson development.....	132
6.8. End unit assessment	148
6.9. Additional activities	149
6.9.1. Remedial activities (Questions and answers)	149
6.9.2. Consolidation activities (Questions and answers)	150
6.9.3. Extended activities (Questions and answers)	153
UNIT 7: ESTABLISH PAYROLL REQUIREMENTS AND PAYROLL PREPARATION	157
7.1. Key unit competence:	157
7.2. Prerequisite (knowledge, skills, attitudes and values).....	157

7.3. Cross-cutting issues to be addressed:	157
7.4. Guidance on introductory activity	158
7.5. List of lessons/sub-heading	159
7.8. End unit assessment (answers)	177
7.9. Additional activities (Questions and answers)	184
7.9.1. Remedial activities	184
7.9.2. Consolidation activities	185
7.9.3 Extended activities	186
UNIT 8: RETIREMENT, OCCUPATION HAZARD BENEFIT AND DISMISSAL COMPENSATION.....	189
8.1. Key unit competence:.....	189
8.2. Prerequisite (knowledge, skills, attitudes and values).....	189
8.3. Cross-cutting issues to be addressed:	189
8.4. Guidance on introductory activity.....	190
8.5. List of lessons/sub-heading	191
8.6. Summary of the unit	202
8.7. Additional information for teachers.....	204
8.8. End unit assessment (answers)	205
8.9.2. Consolidation activities	206
8.9.3 Extended activities	209
REFERENCE	210

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
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.	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. Some examples can be given when learning statistics, powers, logarithms and the related graphical interpretation.

<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: 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> <ul style="list-style-type: none"> • Set a learning objective which is addressing positive attitudes and values, • Encourage students to develop the culture of tolerance during discussion and to be able to instil it in colleagues and cohabitants; • Encourage students to respect ideas from others.
<p>Standardization Culture:</p> <p>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 ways depending on 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
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- 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.

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.

1. 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	22 /09/ 2022	Taxation	Year 4	1	5 of 8	140 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		Introduction to Rwandan tax System									
Key Unit Competence:		Describe various Rwandan tax system legislation									
Title of the lesson		Categories of direct and indirect tax									
Instructional Objective		Given a written scenario of businesses, student will be able to List categories of direct and indirect tax on income 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 4									
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 categories of direct and indirect tax practiced in the country, gallery walk, and content harmonization from different group presentations									
Teacher activities			Learner activities								

1. Introduction minutes	<p>Revision on the previous lesson on the meaning of tax</p> <p>Explain the meaning of direct tax and indirect tax</p> <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>Answer the questions on the meaning of tax, direct tax and indirect tax</p> <p>Correct homework with the teacher</p> <p>Discover the title of today's lesson:</p> <p>Categories of Direct tax and Indirect tax</p>	<p>Communication: Through answering questions and peer discussion.</p>
<p>2. Development of the lesson: 105min</p>			

<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 4 taxation unit 1.</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>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>	<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 list direct and indirect tax practiced in the country. – In their groups, they share and agree on the list of direct and indirect tax 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. <p>Communication:</p> <ul style="list-style-type: none"> - Students discuss in groups and answer questions. <p>Research and problem solving:</p> <ul style="list-style-type: none"> Through discussion and research, students list direct and indirect tax practiced in the country <p>Peace and values education:</p> <ul style="list-style-type: none"> Trough games and group discussions, students socialize and develop some values like sharing, honesty, cooperation, respect, team work, etc.
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<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 - 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, list the categories of direct and indirect tax practiced in the country. 	<p>Groups present about the list of categories of direct and indirect tax practiced in the country</p> <p>- Each team hangs its answers on Present Board.</p> <p>- Each team moves around to read presentations of other teams while taking notes and asking for clarification where they do not understand.</p> <p>Harmonize their findings and come up with categories of direct and indirect tax practiced in the country.</p>	<p>Inclusive Education:</p> <p>Taking into account students with visual impairment during gallery walk and also read for them.</p> <p>Communication:</p> <p>- Student discusses and communicates verbally while presenting their work and commenting on other groups work.</p> <p>Critical thinking:</p> <p>- Learners use critical thinking in answering questions.</p>
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c) Summary/conclusion 10 Minutes	<ul style="list-style-type: none"> - Help the students to come up with a summary on categories of direct and indirect tax practiced in the country. - Read the summary loudly for the two students with visual impairment to allow them to take notes. 	<p>Categories of direct and indirect tax:</p> <p>Direct taxes:</p> <p>In general, direct taxes are levied on profit and income.</p> <p>1. Personal tax on income: Personal tax on income is levied on income received by an individual. It may comprise the following elements: Employment; Business activities; Investment; Capital gain.</p> <p>According to Rwanda legislation, all income types raised are subject to tax. They can be categorized as follow:</p> <ul style="list-style-type: none"> - Personal Income Tax (PIT) - Pay As You Earn (PAYE) - Investment income tax - Capital gain - Rental income (here ignore housing which is decentralized) - Tax on minerals - Taxes on gaming activities - Different types of withholding taxes - Quarterly payment 	<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>
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	<p>2. Corporate Income Tax (CIT)</p> <p>It is hereby-established a “corporate income tax” levied on business profits received by entities. Indirect taxes: In general, indirect taxes are applied on consumption of goods and services.</p> <p>1. Value Added Tax (VAT)</p> <p>It is an indirect tax on “taxable supplies” made by a “taxable person”</p> <p>Subject to all taxable goods and services</p> <p>Two tax rates in force:</p> <p>Standard rate of 18%</p> <p>Zero rate (0%)</p> <p>2. Excise tax:</p> <p>Excise tax is imposed on specified goods /service produced locally or imported to be consumed in the country.</p> <p>Excise tax was established in Rwanda in 1960s and is levied on locally produced beers, lemonades, mineral water, juices, liquors, wines, fuel, vehicles, powdered milk, as well as on cigarettes, etc... and their imported counterparts if appearing on the list published in the consumption tax law.</p> <p>Excise tax is also levied on telephone communication since year 2007.</p>	
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3. Assessment 20 Minutes	<p>Expected Answers:</p> <p>Q1.a. Personal income tax: is an income tax imposed by Government on income received by an individual.</p> <p>b. Corporate income tax: is a tax levied on profits made by the companies or entities.</p> <p>c. Withholding tax: is a tax withheld on source of income before payment to the beneficiary.</p> <p>Q2. Source of income liable to personal income tax are:</p> <p>Income generated from performing services (including employment)</p> <p>Activities of a craft person, singer, artist or player</p> <p>Sports, cultural or leisure activities</p> <p>Income of Rwanda permanent establishment</p> <p>Income from the use, lease and disposal of movable assets by Rwandan business</p> <p>Sale, lease and free transfer of immovable Rwandan business assets</p> <p>Farming, fishing and forestry</p> <p>Usufruct (right of use of asset) and other rights attached to Rwandan Business assets</p> <p>Income from investment in share (i.e., dividends)</p> <p>Sales or transfer of shares and debentures (capital gains tax)</p> <p>Change of partnership profit into shares, such that a partner's interest increases</p> <p>Distributions of partnership profits to partners</p> <p>Income from lending and deposits(interest)</p> <p>Transfer, sales and lease of intellectual property</p> <p>Other income generating activities that are not classified as exempt</p>	<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>
Teacher self-evaluation	For example: 3 students need remedial activities (they are given)	

PART III: UNIT DEVELOPMENT

UNIT 1

INTRODUCTION TO RWANDAN TAX SYSTEM

1. Key unit competence: Describe various Rwandan tax system legislation

1.2. 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. So, with this prior knowledge, skills, attitudes and values it should help them to appreciate the role of tax system in the development of the country.

1.3. 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 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 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 customs procedures 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

1.4. 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 major changes expected by people especially business people on June 15, every year, what makes the business people so anxious to know the changes, why it is important for businesses to pay taxes to the government, how an entrepreneur, government and society benefit from taxes, and the meaning of at least two types of taxes in Rwanda.

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. The major changes expected business people and others on 15th June every year are the change in national budget, tax reforms and new taxes introduced.
2. Business people are anxious because these above decisions may have an impact on their business when they do not comply with especially tax reforms and new taxes introduced.
3. It is important for business to pay taxes because government gets revenue for infrastructure development, which is more needed, by business for smooth running of business activities
4. How do the following benefit from taxes?
 - i) Entrepreneur: From taxes paid entrepreneurs, get infrastructures like road we travel on are safe and well-maintained, funds public libraries, parks etc.
 - ii) Government: from taxes paid government, gets revenue for paying workers (salary), support common resources such as police, fire-fighters etc. In brief Government must ensure minimum service is provided to the general public especially where private sector can serve.
 - iii) Society: from the tax paid society gets infrastructure like schools, hospitals, protected against harmful products etc.
5. Taxpayers in Rwanda pay taxes like CIT, PIT, Pay-As-You-Earn tax, VAT, fixed/property tax, rental income tax, etc.
6. People who do not pay taxes face enforcement measures like penalty of 40% in case of failure to file the return, interest of 1,5% per month for delay besides a surcharge equivalent to 10% which cannot exceed FRW100,000, if necessary even imprisonment.
7. Tax is a civic duty or tax is fees without a direct exchange requested to the members of the community by the state according to the law to financially support the execution of the government tasks and taking into account the capacities of the payer whereas taxation is a system of raising money or revenue by the government from individuals/businesses and companies by law through taxes. Brief, taxation is a system while tax is a payment due under this system.

1.5 List of lessons/sub-heading

Nº	Lesson title/sub-heading	Learning objectives	Number of periods
1	Meaning of taxation , tax and duty	Explain the meaning of taxation , tax and duty	2
2	Current legislation relating to taxation and tax period	Discuss current legislation and tax period relating to taxation in Rwanda	4
3	The residence and the permanent establishment (PE)	Use Rwandan tax system legislation to describe conditions related to residence and permanent establishment	4
4	The right and obligation of the taxpayer	Justify the right and obligations of the tax payer according to Rwandan tax system	3
5	Categories of direct and indirect taxation	List categories of direct tax and indirect tax on income	3
6	Definition of terminologies used in taxation and Characteristics of a good tax system	Explain the terminologies used in taxation and Characteristics of a good tax system	4
7	The canons/principles of taxation	Identify the canons/principles of taxation	3
8	The importance of tax and the Classification of taxes	Identify the importance of tax and the Taxes classification	4
End Unit Assessment			3
Total number of periods			30

Lesson 1: Meaning of taxation , tax and duty

a) Learning objective

Explain the meaning of taxation , tax and duty

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 1.1

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 1.1

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.

a) Application activities 1.1

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 1.1

- 1) Taxation can be defined as a system where Government imposes compulsory contribution for general interest.
- 2) RRA collect tax with the mission to mobilise revenue for economic development through efficient and equitable services that promote business growth

Lesson 2: Current legislation relating to taxation and tax period

a) Learning objective

Discuss current legislation and tax period relating to taxation in Rwanda

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 taxation , tax and duty

That will help to discuss current legislation and tax period relating to taxation in Rwanda

Learned in this lesson.

d) Learning activities

Activity 1.2

- 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 discuss current legislation and tax period relating to taxation in Rwanda. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 1.2

1. The final resting place of a tax or the person or company that actually pays the tax are direct tax and indirect tax

The times to pay them are:

- For individual, whether they are in business or employed, will calculate their tax in relation to their calendar year (the period 1 January to 31 December) this is known as the tax period
- For company the default tax period for a company is also the calendar year. however, companies may apply in writing to the minister of finance to use a different 12 –month period

e) Application activities 1.2

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 1.2

Q1. Direct taxes are taxes whereby tax incidence cannot be shifted to another person; or direct taxes are taxes imposed on person's income and property. Example includes: PAYE, corporate income tax, rental tax, property tax, etc.

While

Indirect taxes are taxes where tax incidence can be shifted on another person or is tax levied on expenditure/consumption. For example, VAT, consumption tax.

Q2.

- Tariffs
- Impose high tax on import product
- Give subsidies to the local industry

- Quotas specify the quantity of goods which can be imported
- Impose low tax on local produced materials.

Lesson 3: Define the residence and the permanent establishment (PE)

a) Learning objective

Use Rwandan tax system legislation to Describe conditions related to residence and permanent establishment

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 1.3

- 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 use Rwandan tax system legislation to describe conditions related to residence and permanent establishment. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 1.3

Q1: A person or a company's residence position determines their liability to pay Rwandan tax, especially on overseas income source.

Q2: Permanent Establishment is a fixed place of business through which an

income generating business wholly or partially conducted.

e) Application activities 1.3

This activity can be given as a normal individual or group activity, where students use Rwandan tax system legislation to describe conditions related to residence and permanent establishment. 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 1.3

Q1.

- a) He/she has a permanent residence in Rwanda (defined as house, department or dormitory in Rwanda which they usually occupy)
- b) He/she has a habitual abode in Rwanda (not defined in Rwanda law but generally regarded as where an individual spends the majority of their time)
- c) He/she is Rwanda representing Rwandan abroad (for example an ambassador)
- d) An individual will be treated as Rwandan resident if they are present in Rwanda for 183 days (either continually or intermittently) in any 12-month period. They will be treated as Rwandan resident for the tax period that the 12-month period ends in. Note that if a tax payer is presenting in Rwanda at the end of a day (i.e., at midnight), that day counts as a day in Rwanda for the purposes of this test

Q2.

- a) A place of management
- b) A branch
- c) A factory or workshop
- d) A mine, an oil or any other place for an exploitation of natural resources
- e) A site set of construction, construction site, or a place where supervision or assembly work are carried out

- f) A place for the provision of services, including consulting services, carried on by a person, with the support of employees or other personnel, for more than 90 days in a 12 –month period

Lesson 4: The right and obligation of the taxpayer

a) Learning objective

Justify the right and obligations of the tax payer according to Rwandan tax system

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 1.4

- 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 1.4

The advice that would be given to Kabera is that abiding to taxpayer requirement are obligation before they start the shop business, and therefore they should do the following first:

- 1) Relevant legislation
 - 2) Registration of a business
 - 3) Record-keeping
 - 4) Self-assessment
 - 5) Tax declaration and payment
- e) Application activities 1.4

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 1.4

1. Right is anything that is due to a person by law or tradition. Simply in business term is what you can expect your employer to provide. In this context of tax, taxpayers expect some services from RRA.
2. "Obligations/responsibilities" is duty for which one is accountable in business term is what your employer can expect that you will do. In this context of tax, RRA expect something from taxpayers
3. Some rights of taxpayer: - The right to pay not more than the correct amount of tax; the right to certainty: The Right to Be Informed; The right of appeal etc.
4. The right of the taxpayer according to Rwandan tax system are:

1. The right to be informed assisted and heard

Taxpayer is entitled to have up-to-date information on the operation of the tax system and the way in which their tax is assessed.

2. The right of appeal

The right of appeal against any decision of the tax authorities applies to all taxpayers and to almost all decisions made by the tax authorities, whether as regards the application of the law or of administrative ruling, provided the taxpayer is directly concerned

3. The right to pay no more than the correct amount of tax

Taxpayers should pay no more tax than is required by the tax legislation, taking into account their personal circumstances and income.

4. The right to confidentiality and secrecy

Another basic taxpayers' right is that the information available to the tax authorities on the affairs of a taxpayer is confidential and will only be used for the purposes specified in tax legislation. Tax legislation usually imposes very heavy penalties on tax officials who misuse confidential information and the confidentiality rules that apply to tax authorities are far stricter than those applying to other government departments.

Lesson 5: Categories of direct and indirect tax

a) Learning objective

List categories of direct tax on income

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 2 studied Discuss current legislation and tax period relating to taxation in Rwanda for direct tax and indirect tax. That will help to List categories of direct tax and indirect tax on income Leant in session 5.

d) Learning activities

Activity 1.5

- 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 to list

categories of direct and indirect tax. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answers to activity 1.5

- Personal Income Tax
 - Corporate Income Tax
 - PAYE
 - Dividend tax
- e) Application activities 1.5

This activity can be given as a normal individual or group activity, where students List categories of direct tax and indirect tax on income

. 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 1.5

Q1.

- a) Personal income tax: is an income tax imposed by Government on income received by an individual.
- b) Corporate income tax: is a tax levied on profits made by the companies or entities.
- c) Withholding tax: is a tax withheld on source of income before payment to the beneficiary.
- d) PAYE: Pay As You Earn

Q2. Source of income liable to personal income tax are:

- Income generated from performing services (including employment)
- Activities of a craft person, singer, artist or player
- Sports, cultural or leisure activities
- Income of Rwanda permanent establishment
- Income from the use, lease and disposal of movable assets by Rwandan business
- Sale, lease and free transfer of immovable Rwandan business assets

- Farming, fishing and forestry
- Usufruct (right of use of asset) and other rights attached to Rwandan Business assets
- Income from investment in share (i.e., dividends)
- Sales or transfer of shares and debentures (capital gains tax)
- Change of partnership profit into shares, such that a partner's interest increases
- Distributions of partnership profits to partners
- Income from lending and deposits(interest)
- Transfer, sales and lease of intellectual property
- Other income generating activities that are not classified as exempt

Lesson 6: Definition of terminologies used in taxation and Characteristics of a good tax system

a) Learning objective

Explain the terminologies used in taxation and Characteristics of a good tax system

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 1.6

- 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 explaining the terminologies used in taxation and Characteristics of a good tax system. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answers to activity 1.6

Q1. Tax is the compulsory amount of money paid to the government without compensation to finance government expenditures.

- a) Taxation is the process of collecting and managing taxes on behalf of the Government
- b) Tax avoidance is finding a way to avoid paying taxes by finding a loophole in the tax system
- c) Tax evasion is illegal practice inducing to tax fraud
- d) Tax shifting is the transfer of either the part or whole tax burden to another taxpayer/person.

Q2. From the decision Ruth made:

- a) Tax avoidance: none
- b) Tax evasion: is decision 1.
- c) Tax shifting: is decision 2.

Q3. Among these actions, decision 1 will be penalized because the fact of crossing the river without reporting to the Customs to pay import duties is a tax fraud.

- e) Application activities 1.6

This activity can be given as a normal individual or group activity, where students Explain the terminologies used in taxation and Characteristics of a good tax system, 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 1.6

1. Tax incidence is the final resting place or those economic units that finally

bear the money burden of it and that are not able to pass it on to others while tax impact is the first point of contact with the taxpayers.

2. The definitions point out four main characteristics:

- There is no quid-pro- quo in tax:

Tax is not levied for a return for a specific service rendered by government to taxpayers. An individual cannot ask for any special benefit from the government in return for the tax paid.

- It is a compulsory contribution:

It is imposed by the government on individuals, households, or companies. Because of its compulsory nature, those who do not pay it are liable to be punished but it is to be paid by those who come under its jurisdiction.

- It involves a sacrifice:

It is a payment by taxpayers which is used to benefit all the citizens whereby the government uses the collected revenues to establish infrastructures such as hospitals, schools as well as other public utility services.

- It is paid out of total wealth:

Meaning tax is computed based on a certain specific percentage of the total income.

3. Tax avoidance is a situation where a business person does not pay tax because she/he has avoided the product or activity on which the tax is imposed. It is the taxpayer's exploitation of loopholes in the tax system thereby paying less tax than what they are supposed to pay.

Example of Tax Avoidance:

- Taking legitimate tax deductions to maximize business expenses and thus lower your business tax bill.

Tax evasion is the illegal practice of not paying taxes by either not reporting income, reporting expenses not legally allowed, or by not paying taxes owed. In businesses, tax evasion can occur in connection with income taxes, employment taxes, sales, etc.

Examples of practices considered as tax evasion:

- It is considered tax evasion if you knowingly fail to report income.
- Under-reporting income (claiming less income than you actually received from a specific source).
- Providing false information to the RRA about business income or expenses, etc.

Lesson 7: The canons/principles of taxation

f) Learning objective

Identify the canons/principles of taxation

g) 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.

h) 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.

i) Learning activities

Activity 1.7

- 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 Identify the canons/principles of taxation. Answers or address any questions or challenges about the activity. guide them to make notes in referring in their students' book.

Answers to activity 1.7

The canons or principles of taxation are:

- a) Canon of Equity
- b) Canon of Certainty
- c) Canon of Convenience
- d) Canon of Economy
- e) Canon of Productivity

- f) Canon of Elasticity
- g) Canon of Flexibility
- h) Canon of Simplicity
- i) Canon of Diversity

Application activities 1.7

This activity can be given as a normal individual or group activity, where students Identify the canons/principles of taxation. 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 1.7

Q1. Principles of taxation are rules and regulations that should be observed in the tax assessment, collection and administration. These rules are very important since, they guide both taxpayers and tax-collectors in taxation system

Q2. Each principle is important because each one specifies what to do and when to do it both for tax-payers (people/business people) and tax-collectors (RRA). From the list of principles of taxation, none is more important compared to others. All of them are important and complement because everyone states what/how to do and when to do it.

Q3. In your community, you have probably heard people and business people complaining about the taxes they pay or charged to different or similar items. Identify any 5 things you have heard normally people complain about.

Answer: Five things that most people complain about the tax (people used to think but seem is not true about taxes):

- Tariff/tax rate (complaining that is high).
- Time to pay tax (complaining that should be extended).
- Tax bases (saying that should be increased for ex. from 30,000Frw to 50,000Frw should be exempted).
- VAT (especially to those traders who do not issue EBM bill).
- Certain taxes like fixed and rental taxes (saying those things are theirs and therefore should not assessed taxes) etc.

Lesson 8: The importance of tax and the Classification of taxes

a) Learning objective

Identify the importance of tax and the Taxes classification

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 lessons, lesson 1, 2, 3, 4, 5, 6, 7 studied describe various Rwandan tax system legislation. That will help to identify the importance of tax and the taxes classification learnt in session 8.

d) Learning activities

- 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 importance of tax and the Taxes classification. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answers to activity 1.8

Q1:

People and business need to pay taxes to support government and allow it to funds its public interests like police, military, build and maintain infrastructure etc.

Q2:

- By increasing import tax for protectionism
- By reducing tax on domestic industries
- Reducing tax on raw materials related to made in Rwanda
- Rewards for good taxpayers for domestic industries

e) Application activities 1.8

This activity can be given as a normal individual or group activity, where students Identify the importance of tax and the Taxes classification, 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 1.8

Q1.

- In our community, society benefits from taxes like enjoying infrastructure development, security among others.
- There is a reduced rate of poverty among the community due to a significantly equal distribution of income through various activities and projects set by the government.
- Improved wellbeing among the vulnerable and elderly as they benefit from the different government financed through taxes.
- Reduced infant mortality rates and increased life expectancy due to improved access to health facilities and services.
- Increase in the percentage of the population that completes secondary and TVET education, reducing the literacy levels, improving on the peoples' skills through programs such as 12YBE.
- Increased community/social solidarity, general happiness, life satisfaction, and a significant more trust among the community members and for public institutions.
- Taxes are charged on products discourage their usage hence controlling over-exploitation of resources hence protecting the environment which vital for the existence of the society.

Q2. If taxes were not paid, businesses would fail to perform their activities because government would be unable to finance its expenditures like roads, hospital, building etc. which, are essential for smooth running of business activities.

Skills lab activity 1

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 different taxes in Rwanda

then visit the return processing service to practice operations management of different activities taking place there from the registration step to payment step. Besides, encourage student to visit RRA website for further research.

i) Build

Given that students visit the RRA website,

- 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.

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

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

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 administered by the tax administration. 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.

1.2 Summary of the unit

1. Meaning of taxation , tax and duty

Tax is a fee without direct exchange requested to the members of the community by the State according to the law, to financially support the execution of the government tasks.

Taxation is a system of raising money or revenue by the government from individuals/businesses and companies by law through taxes.

2. Current legislation relating to taxation and tax period

A Direct tax is a tax on the income or wealth of a person .it is recovered generally from that person under previously enacted legislation; an example would be income tax.

An indirect tax is a tax on production, exchange or consumption of goods or services. It is charged at the time a taxable operation is carried out. This is the case for VAT and excise duty.

3. Define the residence and the permanent establishment (PE)

A person or a company's residence position determines their liability to pay Rwandan tax, especially on overseas income source

Permanent establishment is defined by the law n° 026/2019 of 18/09/2019 on tax procedures, chapter one called general provisions in article 3 as a fixed place of business through which an income generating business wholly or partially conducted.

4. The right and obligation of the taxpayer

- The rights of the tax payer according to Rwandan tax system

1. The right to be informed, assisted and heard
2. The right of appeal
3. The right to pay no more than the correct amount of tax

4. The rights to confidentiality and secrecy
 - The obligations of the tax payer according to Rwandan tax system
1. Relevant legislation
2. Registration of a business
3. Record-keeping

5. Categories of direct and indirect taxation

- Direct taxes

In general, direct taxes are levied on profit and income.

1. Personal tax on income

Personal tax on income is levied on income received by an individual. It may comprise the following elements:

- Employment;
- Business activities;
- Investment;
- Capital gain;
- Use, sale, lease or free transfer of an immovable property allocated to the business;
- Use, sale, lease or free transfer of movable property allocated to the business.

2. Corporate Income Tax (CIT)

Rwandan resident companies, if not exempt bodies, pay corporate income tax on all of their taxable income sources.

- Indirect taxes

In general, indirect taxes are applied on consumption of goods and services.

3. VAT

- VAT is an acronym for the term Value Added Tax
- It is an indirect tax on "taxable supplies" made by a "taxable person"
- Subject to all taxable goods and services
- Two tax rates in force:

- Standard rate of 18%
- Zero rate (0%)

A taxpayer must register for VAT if his turnover is above FRW 20,000,000 for any twelve-month period or above FRW 5,000,000 for three consecutive quarters. In addition, any taxpayer may choose to register voluntarily for VAT if he doesn't meet the threshold.

4. Excise tax

Excise tax is imposed on specified goods /service produced locally or imported to be consumed in the country.

5. Definition of terminologies used in taxation and Characteristics of a good tax system

- Terminologies used in taxation
 - a) Tax burden
 - b) Tax incidence
 - c) Tax impact
 - d) Tax base
 - e) Taxable capacity
 - f) Tax evasion
 - g) Tax avoidance
 - h) Tax exemption
 - i) Tax shifting
 - j) Taxpayer
 - k) Budget year
 - l) Tax Administration
 - m)Fiscal Year
 - n) Authorized officer
- Characteristics of a Tax
 - a) There is no quid-pro- quo in tax
 - b) It is a compulsory contribution
 - c) It involves a sacrifice
 - d) It is paid out of total wealth

7. The canons/principles of taxation

A good tax system should consist of taxes which conform to the canons of taxation such as:

- a) Canon of convenience
- b) Canon of simplicity
- c) Canon of certainty
- d) Canon of economy
- e) Canon of elasticity
- f) Canon of productivity
- g) Canon of equity
- h) Canon of diversity

8. The importance of tax and the Classification of taxes

- Roles of taxation in Rwanda

Taxation plays a great role in Rwanda's economy like in any other country's economy. These roles include the following:

- Raising government revenue
- Protecting home industries especially infant industries
- Control of inflation
- Reducing dumping
- Discourage importation and consumption of certain goods
- Controls monopoly
- Reduce income inequality
- Improve balance of payment position
- Encourages hard work
- Discourage over exploitation of resources
- Promotes economic growth
- Classification of taxes

Tax can be classified in the following ways:

- According to its nature
 - a) Personal
 - b) Property
- According to who bears the burden of the tax?
 - a) Direct
 - b) Indirect

3. According to the method of determination of amount of tax

- a) Specific
- b) Ad Valorem

4. According to purpose

- a) General, fiscal, or revenue
- b) Special or regulatory

5. According to scope or authority imposing the tax

- a) Centralized
- b) Decentralized

6. According to graduated scale of rates.

- a) Progressive taxes
- b) Regressive taxes
- c) Proportional taxes

1.1. Additional information for teachers

Additional Information

Taxes are called a non-quid pro-quo payment which means that there is not direct payment or contributions to government services. A taxpayer may receive more or less services than the taxes actually paid.

Functions of tax

There are three main functions that a tax fulfils:

Financial function: main function of a tax is to finance the government's expenditure

The social function: taxes enable the government to redistribute the national income. Taxes are therefore an instrument for social solidarity.

Economic function: taxes permit the government to regulate the economic activities in a country. Taxes can be used for example to regulate the inflation, as incentive for investment or for discouraging certain behaviour (like drinking and smoking)

1.8. End unit assessment (answers)

Q1. No, taxes are not free money from taxpayers to government fees without a direct exchange requested to the members of the community by the State according to the law, to support financially the execution of the government

tasks. Example: roads construction and maintenance, hospitals, security (army and police) etc.

Q2. Characteristics of a tax.

The definitions point out four main characteristics of good tax:

1. There is no quid-pro- quo in tax:

Tax is not levied for a return for a specific service rendered by government to taxpayers. An individual cannot ask for any special benefit from the government in return for the tax paid.

2. It is a compulsory contribution:

It is imposed by the government on individuals, households, or companies. Because of its compulsory nature, those who do not pay it are liable to be punished but it is to be paid by those who come under its jurisdiction.

3. It involves a sacrifice:

It is a payment by taxpayers which is used to benefit all the citizens whereby the government uses the collected revenues to establish infrastructures such as hospitals, schools as well as other public utility services.

4. It is paid out of total wealth:

Meaning tax is computed based on a certain specific percentage of the total income.

Q3. Discuss the classification of taxes

Tax can be classified in the following ways:

- According to its nature:

Personal, poll or capitation tax: It is a tax of a fixed amount on individuals residing within a specified territory, without regard to their property, occupation or business. Ex. Community tax (basic)

Property- imposed on property, real or personal, in proportion to its value, or in accordance with some reasonable method or apportionment. Ex. Real estate Tax

Property- imposed on property, real or personal, in proportion to its value, or in accordance with some reasonable method or apportionment. Ex. Real estate Tax

- According to who bears the burden of the tax:
- Direct- the tax is imposed on the person who also bears the burden thereof Ex. Income tax, corporate tax etc.
- Indirect –imposed on the taxpayer who shifts the burden of the tax to another, Ex. VAT
- According to the method of determination of amount of tax:
 - Specific –imposed and based on a physical unit of measurement as by head number, weight, length or volume. Ex, fermented liquors, cigars.
 - Ad Valorem of a fixed proportion of the value of the property with respect to which the tax is assessed. Ex, Real estate tax, excises tax on cars.
- According to purpose:
 - General, fiscal, or revenue- imposed for the general purpose of supporting the government. Ex. Income tax, percentage tax.
 - Special or regulatory- imposed for a special purpose, to achieve some social or economic objective. Ex. Protective tariffs or custom duties on imported goods intended to protect local industries.
- According to scope or authority imposing the tax:
 - Centralized - imposed by the national government ex; CIT, PIT
 - Decentralized - imposed by municipal corporations or local Governments ex. property tax, rental tax and other fees
- According to graduated scale of rates:
 - Progressive taxes: a tax is progressive if the tax rate increases as the income increases. For example, a person earning 50,000F= paying 10% and the person earning 100,000F = paying 15%.
 - Regressive taxes: a tax is regressive if the tax rate reduces with the increase in levels of income. As income increase the tax rate decreases. Example, a person earning 100,000F = pays 10% of his income and a person earning 200,000F = pays 5%.
 - Proportional taxes: proportional taxes are also called flat taxes. The tax rate is constant for all levels of income. People of low income and people of high income pay taxes at the same rate. If for example, the tax is set at 20%

Q4. c. AB Ltd, a large company preparing its accounts under GAAP, which wishes to prepare accounts to 30 June for commercial reasons

Q5. b 1and3

1.9. Additional activities (Questions and answers)

1.9.1 Remedial activities

Q1. Which two of these Rwandan taxes would be considered direct taxes?

- a) excise tax on alcohol
- b) corporate income tax
- c) Import duties paid when acquiring goods from outside Rwanda
- d) capital gains tax on the sales of shares
 - a) 1 and 2
 - b) 2 and 4
 - c) 2 and 3
 - d) 3 and 4

Q2. Explain the following fiscal terms:

- a) Tax exemption
- b) Decentralized taxes in Rwanda
- c) Tax impact
- d) Tax incidence

Q3. Which of the following is the definition of direct tax?

- a) A tax on an individual not a company
- b) A tax on the purchases of goods or services
- c) A tax on the income or wealth of a person
- d) A tax charged at the time a transaction occurs

Q4. Which two of the following conditions need to be met for a taxpayer to use a tax period that is not 31 December?

1. The taxpayer must be an individual.
2. The taxpayer must apply to the minister of finance for permission.
3. The taxpayer must have an overseas parent company.
4. The taxpayer must notify the Rwandan revenue authority of the change.
 - a) 1 and 3
 - b) 2 and 3
 - c) 1 and 4
 - d) 2 and 4

Q5. Which one of the following would be considered a permanent establishment of an overseas company operating in Rwanda?

- a) a storage facility
- b) An office solely used for market research purposes
- c) an independent agent
- d) a factory where workers assemble goods for resale

Answer:

Q1. b) 2 and 4

Q2.: Tax exemption is the right to exclude all or some income from taxation by federal or state governments. Most taxpayers are entitled to various exemptions to reduce their taxable income, and certain individuals and organizations are completely exempt from paying taxes.

- a) The decentralized taxes are taxes collected by the districts
- b) Tax impact: this refers to the first resting place of a tax or the burden suffered by the person /company that initially pays the tax imposed when it has just been.
- c) Tax incidence: this is the final resting place of a tax or the person or company that actually pays the tax.

Q3. c) A tax on the income or wealth of a person.

Q4. d) 2 and 4

Q5. d) a factory where workers assemble goods for resale

1.9.2. Consolidation activities

Q1. Why does the government of Rwanda impose a tax?

Q2. What are the requirements for a good fiscal system?

Q3. Ronald Kalisa has a business in Rwanda with annual turnover of FRW 15,000,000. Which two of the following records is he not required to keep for tax purposes?

1. Personal income tax calculation
2. Daily records of income and expenses
3. Record of trading closing stock
4. Withholding tax documentation

a) 1 and 4

b) 1 and 2

c) 2 and 3

d) 3 and 4

Q4. Which of the following taxpayers, each of whom runs a business in Rwanda, would be required to keep records of closing trading stock?

- a) An individual with turnover of FRW 30,000,000 per year
- b) An individual with turnover of FRW 19,000,000 per year
- c) An individual with turnover of FRW 10,000,000 per year
- d) Both a and b

Answer:

Q1. Roles of taxation in Rwanda

Taxation plays a great role in Rwanda's economy like in any other country's economy. These roles include the following:

Raising government revenue: taxation raises revenue for the government, which revenue the government uses to cater for its legitimate expenditures such as administrative costs, paying civil or government workers, etc.

Protecting home industries especially infant industries: taxes imposed on imported goods protect home industries, especially the infant industries from foreign competition

Which increases market and consumption of locally made goods as imported goods are made expensive by these taxes.

Control of inflation: taxation helps to fight inflation in a country when direct taxes are charged on people's income, which reduces disposable income thereby reducing aggregate demand and causing a fall in the general price level.

Reducing dumping: dumping is the selling of goods in foreign countries at cheaper prices than in the home country. Imposing high taxes on such goods discourage dumping and protects the economy because such goods discourage development of local industries, which usually start with high production cost and relatively high prices.

Discourage importation and consumption of certain goods: taxation helps to discourage importation and consumption of harmful goods through charging high taxes on such goods like cigarettes, alcohol, etc., thereby making them expensive to consume.

Reduce income inequality: the government, through taxation, reduces income inequalities in the country by using a progressive tax system in which

taxes are charged according to people's income thereby making the rich pay more than poor.

Improve balance of payment position: the government is able to improve its balance of payment position by charging high taxes on imported goods and encouraging consumption of locally produced goods and exportation. This reduces expenditures abroad and increases foreign exchange from export earnings.

Encourages hard work: taxes encourage or force people to work hard in order to pay their tax obligations and especially true with direct taxes charged on individual such as income tax.

Discourage over exploitation of resources: taxation can be used by the government to discourage over exploitation of resources by raising the cost of production for the exploitation firms through imposing high taxes on them.

Promotes economic growth: taxation policies are used by the government to influence the level of economic activity in the country and hence helps in promoting economic growth by encouraging increased production and investment and also providing enough government revenue

Q2. the requirements for a good fiscal system are:

- A good fiscal system should be flexible
- A good fiscal system should be economical
- A good fiscal system should be convenient
- A good fiscal system should be elastic
- A good fiscal system should be productive
- A good fiscal system should be equity
- A good fiscal system should be simple
- A good fiscal system should be able to be paid.

Q3. 2 and 3

Q4. An individual with turnover of FRW 30,000,000 per year

1.9.3. Extended activities

Q1. Chloé petit, a French, national has been seconded to the Rwandan permanent establishment of her French employer for a period of two years starting on 1 September 2019. During her secondment she will work fulltime for the Rwandan business and will be paid in Rwandan Francs. She also earns further income by providing internet design services to French businesses in her spare time and will continue to do this while she is in Rwanda. She will invoice her design clients

in Euros and the fees will be paid into her French bank account.

She will live in rented flat while she is in Rwanda. Her employment income and the internet design income will be her only sources of income

Explain to Chloé

- a) The period she will become a Rwandan resident for tax purposes
- b) How her Rwandan employment income will be taxed?

Q2. Do you think taxpayers have obligations or responsibilities? Give reasons to support your response.

Answer:

Q1.

- a) You will be Rwandan resident for a tax year if you are present in Rwanda at midnight for 183 days or more in any 12-month period that ends in that tax year. As you will only be present in Rwanda for four months in 2019, you will not be considered Rwandan resident for 2019, however, you will be Rwandan resident for the tax year to 31 December 2020 as you will be present in Rwanda for 183 days by the beginning of March 2020. You will also be Rwandan resident under this test for the tax period ending 31 December 2021.
- b) Your earnings for your work in Rwanda will be liable to Rwanda person income tax for your entire secondment; Rwandan tax sourced income is chargeable even if the recipient is not Rwandan resident.

Q2. Yes. Some of the obligations/responsibilities of taxpayers are:

- To register with RRA
- To be honest
- To provide accurate information and documents on time
- To keep records, providing accurate information to RRA
- To sign tax returns
- To pay tax on time.

UNIT 2

LAWS RELATED TO BUSINESS ACTIVITIES

2.1. Key unit competence: To be able to identify laws related to business activities

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

In senior 3 Unit 9 you analysed Business Ethics, while in senior 3 unit 4 you analysed different forms of enterprises. This prior knowledge, skills or competences should help the students to be able to apply laws related to business activities in their locality and be able to realize their contribution as students towards business activities.

2.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address crosscutting 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 crosscutting issues where possible taking consideration of their environment or community around them.

Genocide Studies: Genocide Studies provides young people with an understanding of the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unity. Genocide Studies helps student to comprehend the role of every individual in ensuring nothing of the sort ever happens again.

Gender education: Emphasis throughout this unit has to be put on how both males and females have same rights and obligations to do business activities which can generate an income in their local community. So as to promote better standard of living of business activities and their community in the creation of business-based employment opportunities and the country by paying taxes leading to socioeconomic development.

Environment and sustainability: The greatest source of Law is the environment and the society. Business law or any other law related to business activities cannot be applied without the environment. Therefore, great care has to be taken for environment and society. Therefore, business law the only way through which the environment can be safe from harm but only done appropriately.

Inclusive education: In addition to all having equal opportunities to become businesses, attention will be made on how we all regardless of our background have right to generate ideas that do not discriminate as our needs are the same. Students need to understand that business law should not discriminate but promote inclusiveness of all. Throughout the business activities students should be able to evaluate the contribution of law in socio-economic development of the community.

Peace and Values: You need to emphasize on students need to live in peace and harmony with others. Students need to identify potential contributions of law towards society and promoting peace. Students also need to develop positive attitude towards the society, customers, shareholders, environment, business and government, among others as the socio-economic development. They need also to know that the security is important for people to live in high standard of living.

Standardization culture: You need to emphasize to students, the need for standards even in business activities to ensure that these activities bring in enough income to the economy and to maintain order in business environment.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when studying law related to business activities. Students will learn what is permitted and what is prohibited to manage learning resources and materials well. They will put in mind that misusing materials is wasting money.

1.3. Guidance on introductory activity

NOTE: The students won't be able to answer all the questions at this stage; they can answer one question. The most important thing is that you want to challenge students to be expectant and to use their previous knowledge and background to self-discover during teaching and learning of this unit.

Explain the purpose of the introductory activity of the lesson. This activity is intended to provide interest and motivation for students to be able to identify laws related to business activities as opportunity of fighting against illegal business activities in the community.

The introductory activity will also evoke students' interests about what to expect in this unit as they answer the questions that follow in the activity. Students can build on previous knowledge, skills, values and attitudes to help you assess the student's prior knowledge and help link with the new content.

Use an appropriate method such as small groups or pairs and provide students with Unit 2 introductory activity, give clear instructions to the activity.

They observe photo and discuss what activities may have carried out. They read a scenario about business in Rwanda and discuss about What could be done by law to govern, standardizing and resolving some problems happen in business activities.

During grouping or pairing, mix boys and girls and students with different abilities.

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

Harmonize their findings or answers, and help them draw conclusions/summary to questions. Answer or address any questions or challenges about the activity. Guide them to make notes in their books referring to students' book.

Possible Answers of introductory activity:

- The photo shows business law and activities related to business activities
- Law set of binding rules established and enforced by competent authorities in order to govern relationships between persons in a given community. This is involved in protecting liberties and rights, maintaining orders, resolving disputes, and establishing standards for the business concerns and their dealings with government agencies and individuals.
- Government authorities can govern them are Commercial Courts, Rwanda Revenue Authority (RRA), Rwanda Development Boards (RDB), Rwanda Utilities Regulatory Authority (RURA), Food and Drug Authority (FDA), Rwanda Standards Boards (RSB)

2.4. List of lessons/sub-heading

	Lesson title/ Sub-heading	Learning objectives	Number of periods
1	Law and business law	Explain the meaning of law and business law	2
2	Important terms used in law	Explain important terms used in business law	4
3	Importance of business law in business operations	Discuss the Importance of law for business operations	4
4	Laws related to business	Discuss the Importance of laws related to business operations	4
5	Legal institutions related to businesses in Rwanda	Identify different legal institutions related to business in Rwanda.	4
6	Business registration according to forms of business	Explain the registering process and procedures of a business.	4
7	Benefits of registering a business	Explain the Benefits of registering a business	3
8	Consequences of not registering a business	List the consequences of not registering a business	2
End Unit Assessment			3
Total number of periods			30

Lesson 1: Law and Business Law

a) Learning objective

Explain the meaning of law and business law

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with term law and business from entrepreneurship S3 Unit 9. Again, they live in society where law and businesses applied. So, they refer to their community to explain business law.

d) Learning activities

- Invite student to read individually the question in the student book and work in pairs to share with the classmates.
- Have some pairs make the presentation.
- Provide constructive feedback in terms of supplements.

Answers to activity 2.1:

The law binding rules established and enforced by competent authorities in order to govern relationships between persons in a given community.

e) Application activities 2.1:

Invite students to read, the application activities in student book and answer them.

Answers to Application Activity 2.1

- a) Law is a set of principles; rules and standards of conduct
- b) Because have always demonstrate the importance of legal norms meant to regulate relationships within communities. There is no society without rules.
- c) Yes, because have general application to the society and have been developed by an authority for that society and for which the violation imposes a sanction.
- d) Yes, because it is set of binding rules established and enforced by competent authorities in order to govern relationships between persons in a given community. It shows what is permitted and what is prohibited in society.

Lesson 2: Important terms used in Law

a) Learning objective

Explain important terms used in law

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard,

chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with term law from S3 entrepreneurship Unit 9. Again, they can refer to their community where law is applied.

d) Learning activities

- Invite students to observe individually the photo in the student book and work in pairs to share with the classmates the activities do.
- Some pairs make the presentations
- Provide constructive feedback from the findings

Answers to activity 2.2:

- Plaintiff: this is the person who sues another in a court of law. Or a plaintiff is the person or entity initiating a lawsuit by filing a complaint in a court of law.
- Defendant: this is the one against whom a law suit is brought.
- Appellant: a person appealing to a higher court against a decision made by a lower court, seeking reversal of that decision.
- Law suit: Accusation in the court of law
- Counsel: legal advice given in a case; also means a lawyer or attorney in a case.
- Damages: money that a defendant pays to the plaintiff in a civil case if the plaintiff has won the case.
- Fine: Money paid by the defendant to the public or government

e) Application activities 2.2:

- Invite students to read, discuss in pairs the application activities in student book
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Answers to application activity 2.2

Plaintiff: this is the person who sues another in a court of law. Or a plaintiff is the person or entity initiating a lawsuit by filing a complaint in a court of law.

Defendant: this is the one against whom a law suit is brought.

Appellant: a person appealing to a higher court against a decision made by a lower court, seeking reversal of that decision.

Damages: money that a defendant pays to the plaintiff in a civil case if the plaintiff has won the case.

Fine: Money paid by the defendant to the public or government

Lesson 3: Importance of business law in business operations

a) Learning objective

Discuss on the Importance of business laws in business operations

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with business ethics from S3 entrepreneurship Unit 9. Again, they can refer to their community where business law is applied.

d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards the importance of business law in business activities.
- Invite students to share their findings

Answers to activity 2.3:

- Business law maintains order in community by creating a stable environment where plans and rights can be protected, complaints can be made, expectations can exist.
- Law protects business, protects consumers from harmful business practices and limits government from engaging in abusive practices against businesses.

e) Application activities 2.3:

Invite students to read the application activities in student book and answer individually accordingly.

Answers to Application Activity 2.3

- 1) This governs the dealings regarding commercial matters, namely business organizations. It encompasses all laws that guide on how to set up a business and then how to run it. This includes all the laws that govern on how to set up, start, manage, run, close or sell a business.
- 2) With the help of business law, business owners may make better decisions, and also know when to seek legal help. Every business has to maintain an ethical conduct but most businesses, in the greed to earn more profits; do not follow such conducts. Business law makes it mandatory for all the businesses to maintain an ethical conduct which in turn pleases the buyers and they form a good image of the business.

Lesson 4: Laws related to business

- a) Learning objective

Explain the laws related to business

- b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

- c) Prerequisites/Revision/Introduction

Students are familiar with business ethics from S3 entrepreneurship Unit 9. Again, they can refer to their community where business law is applied.

- d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards the importance of law in business activities.
- Invite students to share their findings

Answers to activity 2.4:

Because it includes all the laws that govern on how to set up, start, manage, run, close or sell a business. It includes contracts, laws of corporations, other business organizations, commercial papers, income tax, secured transactions, intellectual properties, and other transactions and dealings related to the business.

e) Application activities 2.4:

Invite students to read the application activities in student book and answer individually accordingly.

Answers to Application Activity 2.4

The role of Laws related to business are:

- Land act for the ownership and management of land
- Food and drugs law for regulating a wide range of consumer products,
- Consumer protection law for offering pure and perfect competition at the market
- National environmental law for determining modalities for protecting, conserving and promoting the environment against climate change

Lesson 5: Legal Institutions Related to Businesses in Rwanda

a) Learning objective

Identify different legal institutions related to business in Rwanda.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with business from S3 entrepreneurship Unit 9. Again, they can refer to their community where business is applied.

d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards legal institution related to business activities.
- Invite students to share their findings

Answers to activity 2.5:

The government institutions needed in business are: Commercial Courts, Rwanda Revenue Authority (RRA), Rwanda Development Boards (RDB), Rwanda Utilities Regulatory Authority (RURA), Food and Drug Authority (FDA), Rwanda Standards Boards (RSB), etc...

e) Application activities 2.5:

- Invite students to read, discuss in pairs the application activities in student book
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Answers to Application Activity 2.5

The role of institutions governing business in Rwanda:

- Commercial Courts for handling commercial matters in order to deal with a big backlog of commercial cases, speed up the resolution of business disputes and thus play a part in the promotion of investment in the country.
- Rwanda Revenue Authority (RRA) for enforcing, assessing, collecting, and accounting for the various taxes imposed in Rwanda.
- Rwanda Development Boards (RDB) for Investment Promotion, Export & Special Economic Zone (SEZ) Development, Investment Deals Negotiation, Tourism and Conservation, Skills Development and One Stop Centre services (business and investment registration, visa facilitation, EIA, tax incentives management, etc.)
- Rwanda Utilities Regulatory Authority (RURA) for regulating certain public utilities, namely: telecommunications network and/or Telecommunications services, electricity, water, removal of waste products from residential or business premises, extraction and distribution of gas and transport of goods and persons.
- Food and Drug Authority (FDA) for protecting and promotes human and veterinary public health through conducting assessment and evaluations of application dossiers for processed foods/ drinks, food additives, food supplements, both human and veterinary medicines, vaccines and other biologics, medicated cosmetics, medical devices, chemicals and pesticides and tobacco products. The FDAR Department also recommends for registration and/or marketing authorization (MA) to products that comply with Rwanda FDA regulatory requirements for registration.
- Rwanda Standards Boards (RSB) for defining and possess national standards. Public services and public or private firms must present their standards to RSB for adoption at national level.

Lesson 6: Business registration according to forms of business

a) Learning objective

Explain registration procedures of business

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with business from S3 entrepreneurship. Again, they can refer to their community where business is applied.

d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards registration of business in Rwanda.
- Invite students to share their findings

Answers to activity 2.6:

- Registering a sole trade business or Individual Enterprises,
- registering a company,
- registering a partnership,
- Registering a cooperative.

e) Application activities 2.6:

- Invite students to read, discuss in pairs the application activities in student book
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Answers to Application Activity 2.6

- 1) You can register your business online at <http://org.rdb.rw/> or at the Office of the Registrar General which is a department within the Rwanda Development Board located in Kigali the capital city.
- 2) Registering a company is be one of the best ways you can expand your business and help ensure its success. Not only will you be free of liability,

but lower tax rates will mean that you can focus on turning your business into the lucrative venture you want it to be. If you're unsure which business structure is right for you, a [business lawyer](#) can help you determine which option is right for you.

Lesson 7: Benefits of registering a business

a) Learning objective

Explain the benefits of registering a business

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with business from S3 entrepreneurship. Again, they can refer to their community where business is applied.

d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards registration of business in Rwanda.
- Invite students to share their findings

Answers to activity 2.7:

Registering business can create reputation from customer, you get legal liability protection, Branding and Legitimacy, ensure Loan facility, Create employment.

e) Application activities 2.7:

- Invite students to read, discuss in pairs the application activities in student book
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Answers to Application Activity 2.7

The benefits of registering business in Rwanda:

- Building reputation especially from customers and clients.

- When you register your business as Limited Liability Company, you will not be held personally responsible for certain accidents and other liabilities.
- Registered business helps in building reputation with your suppliers, customers, and employees.
- When your company is registered, accessing loan becomes very easy compare to personal loan application.
- Registered business can employ full-time employees and pay them salaries and other benefits.

Lesson 8: Consequences of not registering a business

a) Learning objective

Explain the benefits of registering a business

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with business from S3 entrepreneurship. Again, they can refer to their community where business is applied.

d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards not registering of business in Rwanda.
- Invite students to share their findings

Answers to activity 2.8:

The consequences of not registering business in Rwanda: Pay Fines and Penalties, Lawsuits, Closing Business, Arrests business responsible, Inability to Bid, Loss of Reputation, Difficulty to Obtain Financing

e) Application activities 2.8:

- Invite students to read, discuss in pairs the application activities in student book
- Have some pairs to present their findings

- Ask other pairs to supplement
- Give constructive feedback

Answers to Application Activity 2.8:

1. Because the activities of business not having licence can be considered to be fraudulent activities.
2. When a customer is informed that your business is not operating legally, it could call into question the quality of your work and the trustworthiness of your business, which can be devastating and difficult to rebuild.

Skills lab activity 2

Guidance on the skills lab activity.

In conducting this skills lab activity, you can either invite a resource person from RDB for students to interview him/her or request students to conduct research on the internet where need be.

i) Build

Given that students visit the RDB website,

- 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

ii) Practice

- Guide students on accessing the real website
- Ensure that internet is connected for all
- 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 their fellows

iv) Conclusion

- The teacher emphasizes on the objective of the research reminding students that they have to follow those identified steps in registering their own businesses.
- The following are key areas for reference:

- Requirements for starting a business:
 - How to register a business
 - Institutions that are involved with starting and developing a business

2.6. Summary of the unit

Law and Business Law: Law is a set of principles, rules and standards of conduct that have general application to the society, have been developed by an authority for that society and for which the violation imposes a sanction.

Business law is a section of code that is involved in protecting liberties and rights, maintaining orders, resolving disputes, and establishing standards for the business concerns and their dealings with government agencies and individuals.

Importance of business law in business operations: It set standards, maintain equilibrium, decrease chances of frauds, presence of Ethical conduct.

Laws related to business: Land act for the ownership and management of land, Food and drugs law for regulating a wide range of consumer products, Consumer protection law for offering pure and perfect competition at the market, National environmental law for determining modalities for protecting, conserving and promoting the environment against climate change.

Legal Institutions Related to Businesses in Rwanda: The government institutions needed in business are: Commercial Courts, Rwanda Revenue Authority (RRA), Rwanda Development Boards (RDB), Rwanda Utilities Regulatory Authority (RURA), Food and Drug Authority (FDA), Rwanda Standards Boards (RSB).

Business registration according to forms of business:

Registering a sole trade business or individual enterprise: Business registration operates as a single point integrated service. Once you complete your business registration, you have also completed tax registration with the Rwanda Revenue Authority, employer registration with the Social Security Fund of Rwanda and notification of business activities to the National Institute of Statistics of Rwanda.

Registering a company: You can register your business online at <http://org.rdb.rw/> or at the Office of the Registrar General which is a department within the Rwanda Development Board located in Kigali the capital city for Domestic Company Registration and Opening a branch/ Foreign Company.

Registering a partnership: You can register your partnership business online at <http://org.rdb.rw/> or at the Office of the Registrar General which is located

in Kigali.

Registering a cooperative: Registration of a Cooperative is the action or process of registering a cooperative by attributing a registration number or of being registered in registration book for Cooperatives. A cooperative is registered when it fulfils all legal requirements. The exercise is done online by the applicant him/herself through the Cooperative Management Information System (CMIS).

Benefits of registering a business: Building reputation especially from customers and clients. When you register your business as Limited Liability Company, you will not be held personally responsible for certain accidents and other liabilities. Registered business helps in building confidence and reputation with your suppliers, customers, and employees. When your company is registered, accessing loan becomes very easy compare to personal loan application. Registered business can employ full-time employees and pay them salaries and other benefits.

Consequences of not registering a business: pay fines and penalties, lawsuits, closing business, arrests business responsible, inability to bid, loss of reputation, difficulty to obtain financing

2.7. Additional information for teachers

Sources of law

Law as a set of binding rules derives from different sources depending on the nature of the norm in question, the enacting authority, etc.

But considering the Rwandan context which is predominantly civil law-inspired legal system, law has the following source: Constitution, international law, organic laws and ordinary laws, presidential and ministerial orders, custom, case-law, general principles of law and doctrine.

A. Constitution

This is the supreme law of any given country. It enshrines the most important principles governing the State such as whether a country is a Republic or a monarchy, the functioning of different administrative entities, the separation of powers (executive, legislative and judiciary), fundamental human rights principles, etc. The Constitution cannot, however, provide for every matter in a country. Therefore, particular laws must be put in place so as to regulate each situation in a more detailed way. The current Constitution of the Republic of Rwanda entered into force on June 4th, 2003.

B. International law

International law is a set of rules which emanate from agreements concluded between States, or between the latter and international organizations. Rwanda is part to several international conventions such as for instance, the General Agreement on Tariffs and Trade, the UN Convention on Contracts for International Sale of Goods, the Agreement instituting the Common Market for Eastern and Southern African, the EAC, etc.

According to Article 190 of the Constitution, international agreements and treaties come in the second position in the hierarchy of legal norms in Rwanda i.e. after the Constitution and before organic laws, ordinary laws and ordinances.

C. Organic law and ordinary laws

Organic laws mostly deal with the organization and functioning of public entities e.g. organic law on the organization, functioning and competence of courts, whereas ordinary laws regulate all other issues e.g. the law n° 07/ 2009 of 27/ 04/ 2009 relating to commercial companies (Official Gazette, n° 17 bis of 27/ 04/ 2009).

The minimum voting majority differs between organic and ordinary laws.

For the former ones, a minimum majority of 2/3 is required whereas a simple majority is sufficient for the vote of the latter ones.

D. Orders

In some cases, the law vests the President, Prime Minister or a given Minister with the power to enact orders regulating any particular issue. Such orders will have the same binding force as a law enacted by M.Ps.

It is worth noting that the Constitution of the Republic of Rwanda empowers the Government to legislate through Decrees in special cases when it is impossible for the parliament to convene.

E. Custom

Custom is a set of unwritten rules originating from common practices within a given society which are deemed to be binding and are orally transmitted from generation to generation. Pursuant to Rwanda Constitution, Article 201, paragraph 3, custom remains applicable as long as it has not been replaced by a law and does not infringe the Constitution, laws and regulations nor does it violate public order and good morals.

Also, Article 3, paragraph 2 of the preliminary title of the Constitution provides

that in the absence of an applicable legal provision, the judge will decide according to customary law; and in the absence of the latter, according to rules that he would make if he were to enact laws. Thus, customary law takes a secondary place; meaning that it can only be referred to if there is no written law applicable to a given situation.

In order for the custom to be recognized on customary rule:

- It must be reasonable;
- It must have existed for a long time;
- It must be generally recognized and observed by the community;
- The content must be certain and clear.

F. Case-law

Also known as jurisprudence, case-law is constituted of judicial decisions rendered by courts and tribunals. In Rwandan legal system which is predominantly civil law-based, a judge is not bound by the decision of another judge on a similar issue. Judges appraise independently and with sovereignty matters submitted to them. Regard to a prior decided case may only be had on a consultative basis.

G. General principles of law

These are fundamental principles recognized by the vast majority of jurisdictions. They may be relied upon as sources of law in the absence of a written law or a custom. The examples of such principles are the following: ignorance of the law is not an excuse, the special rule derogates to the general one, non-retroactivity of the law, etc.

H. Doctrine

This has to do with the opinions of academic lawyers to be found in text books, learned journals and the notes to cases reported cases in law journals.

Although the doctrine is not considered as a formal source of law, it can be consulted in order to create new concepts or to suggest some solutions which can be followed by the legislation.

2.8. End unit assessment

- 1) Business law is there to maintain order, resolve disputes, establish generally accepted standards, protect rights and liberties when it comes to business and its relation to other companies, government authorities, and the customers.

- 2) With the help of business law, business owners may make better decisions, and also know when to seek legal help. Every business has to maintain an ethical conduct but most businesses, in the greed to earn more profits; do not follow such conducts. Business law makes it mandatory for all the businesses to maintain an ethical conduct which in turn pleases the buyers and they form a good image of the business.
- 3) The permits required from government entities are:
 - Rwanda Development Boards (RDB) for registering business
 - Rwanda Utilities Regulatory Authority (RURA) for regulating certain public utilities.
 - Rwanda Standards Boards (RSB): For standardising certain products
 - Rwanda Revenue Authority (RRA) for collecting taxes
- 4) Yes, because through registration, businesses adhere to the compliance of rules and regulations and thus, remain under government control.
- 5) Law governs the dealings regarding commercial matters, namely business organizations. It encompasses all laws that guide on how to set up a business and then how to run it. This includes all the laws that govern on how to set up, start, manage, run, close or sell a business.

2.9. Additional activities

2.9.1. Remedial activities

- 1) What do you understand by the following terms: Law, Business law, Lawsuit, fine?

Possible answer:

- Law is a set of principles; rules and standards of conduct that have general application to the society, have been developed by an authority for that society and for which the violation imposes a sanction.
 - Business law is a section of code that is involved in protecting liberties and rights, maintaining orders, resolving disputes, and establishing standards for the business concerns and their dealings with government agencies and individuals.
 - Law suit is accusation in the court of law
 - Fine is money paid by the defendant to the public or government
- 2) How can you register a company in Rwanda?

Possible answer:

You can register your partnership business online at <http://org.rdb.rw/>

Or at the Office of the Registrar General which is located in Kigali.

2.9.2. Consolidation activities

- 1) Explain the function of Rwanda Development Board (RDB) and Rwanda Revenue Authority in Rwandan business.

Possible answer:

- The RRA is charged of enforcing, assessing, collecting, and accounting for the various taxes imposed in Rwanda.
- Currently, RDB's key services are; Investment Promotion, Export & Special Economic Zone (SEZ) Development, Investment Deals Negotiation, Tourism and Conservation, Skills Development and One Stop Centre services (business and investment registration, visa facilitation, Environmental Impact Assessments (EIA), tax incentives management, etc.)

RDB is here to provide support throughout the entire investment journey and to ensure that Rwanda remains one of the best places to do business in Africa and the World.

- 1) Differentiate land act from National environmental law as the law related to business.

Possible answer:

- Land act: An Act to provide for the tenure, ownership and management of land; to amend and consolidate the law relating to tenure, ownership and management of land; and to provide for other related or incidental matters.
- National environmental law: This Law determines modalities for protecting, conserving and promoting the environment against climate change. Environmental law refers to a variety of protections which share the goal of protecting the environment.

2.9.3. Extended activities

Referring to the example of Rwanda. Discuss on the importance of business law for:

- Customer
- Owner
- Society

Possible answer:

- For customer:

Earlier, the customer had to suffer a lot due to the absence of a proper law that could safeguard their interests and money invested in a particular business. As there was no such law regarding maintenance of order, rights, and liabilities, etc., the business owners made their own standards and made the customers suffer just because of the greed to make more money.

With the establishment of business law, many standards have been established which have to be followed by businesses.

Maintaining Equilibrium in order to create a sense of satisfaction among customers. In the absence of the law, different countries had different laws regarding the business dealings which made it difficult for the customers as well as the seller to establish a deal. But now every country has the same standards, and the deal between buyer and seller is easily established. This brings ease in business dealings and transactions all across the globe.

- For owner:

Business law helps the owners itself to get aware of the laws against other businesses and individuals. It also helps the individuals to be aware of the rights against the businesses so that they can use them in case they fall prey to the frauds and misery of the business.

- For the society:

With the help of business law, business owners may make better decisions, and also know when to seek legal help. Every business has to maintain an ethical conduct but most businesses, in the greed to earn more profits; do not follow such conducts. Business law makes it mandatory for all the businesses to maintain an ethical conduct which in turn pleases the buyers and they form a good image of the business.

UNIT 3

TAXATION OF EMPLOYMENT INCOME

3.1. Key unit competence: To be able to compute employment income tax

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

Besides the unit 1 on Rwanda Taxation System covered in S4, Students were introduced in senior 2 (unit 5) to the [taxes in Rwanda](#), in senior 3 (unit 5) to the role of Rwandan Customs procedures. This prior knowledge, skills, attitudes and values should help students to compute employment income tax and file its related return to tax 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 business activity industry.

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. Although businesses are focused on increasing productivity so as to make more revenues, students are to be advised on the importance of environmental protection. Thus, students will acquire necessary skills and knowledge to sensitize economic operators and the general public on needs for corporate social responsibility towards the 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 importance of increasing government means through employment income taxation in Rwanda. Being citizens of Rwanda, males and females are served the same way by civil servants. Therefore, they should all together contribute to revenue collection to secure funds for general development.

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 domestic taxes administration system should not discriminate but promote inclusiveness of all residents.

Peace and Values: You need to emphasize to students the benefit of living in peace and harmony with others. Students need to appreciate the role of taxation as source of revenue in promoting peace and patriotism in the community avoiding activities that are illegal e.g., terrorism, 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 why adhering to ethics and integrity requirements at workplace and their respective community is very crucial for a self-reliance national development. This will help them to abide by standards of tax system as prospective business legal aspects.

3.4. Guidance on introductory activity

NOTE: The students won't be able to answer all the questions at this stage. The most important thing is that you want to challenge students to be expectant and to use their previous knowledge and background to self-discover during teaching and learning of this unit. Explain the purpose of the introductory activity of the lesson. This activity is intended to provide capability for students to analyze employment income as a tool for government to mobilize means for spending. The introductory activity will also arouse students' interests about what to expect in this unit as they answer the questions that follow in the activity.

Students can build on previous knowledge, skills, values and attitudes to help you assess the student's prior knowledge and help link with the new content. Exploit and use engaging methods that can foster team work like small groups, pairs or gallery walk. Provide students with the introductory activity in the student's book, and explain in details what is expected from the activity to be done. During grouping or pairing, ensure an acceptable balance between boys and girls and students' different abilities.

Through question-and-answer approach, check the students' understanding of the instructions to make sure they are going to deliver a good report. Encourage students to work together, value each other's contributions, share ideas, etc. Ensure all students are given an opportunity to give their views and should be

respected. Request them to take notes in their books referring to student's book.

Students present their findings, results, answers through presentations on the introductory activity. 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 unit.

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

Possible answers to the introductory activity:

Activity being carried out at RRA office:

- Accountant officer making financial statements
- HR officer preparing payroll
- Officer reviewing the accuracy of PAYE declaration
- HR manager crosschecking the summary report on monthly RSSB Pension Contribution

4.5. List of lessons/sub-heading

No	Lesson title/Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Components of employment income.	Explain the meaning and components of employment income.	3
2	Payments and Persons exempted from employment income tax.	Explain the payments and persons exempted from employments income tax.	2
3	The benefits in kind.	Explain the benefits in kind for employment income.	3
4	Categories of employee.	Explain different categories of employees.	3
5	RSSB contributions.	Demonstrate RSSB contributions of employee / employers and reliefs for employment income .	3

6	Declaration and Payment.	Demonstrate the calculation, declarations and payment deadline of employment income tax.	4
	End Unit Assessment.		3
	Total number of periods		21

Lesson 1: Components of employment income

a) Learning objective

Explain the meaning and components of employment income.

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 and 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 students' 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

Yes, at the end of the month, you will be paid for your work. Cash emoluments and benefits in kind are included in taxable employment income. Non-cash rewards are known as benefits in kind.

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 extension activities.

Answers to application activity 3.1

There are two main categories of income subject to PAYE:

1. Income from employment activities:

- Wages, salaries, bonus, leave pay; sick pay, medical allowances, etc...
- All kinds of allowances, including any cost of living, subsistence, rent, and entertainment or travel allowance,
- Reimbursement of expenses the employee or his/her associate incurs,
- Payment to the employee for his or her acceptance to work in any conditions of employment,
- Redundancy or termination pay,
- Pension payment,
- Other payments made in respect of current, previous or future employment.

2. Income from benefit in kind:

- Use of employer's vehicle at 10% of total employment income excluding benefits in kind,
- Interest saved by an employee from loan (including advance of more than 3 months' salary) provided by the employer,
- Use of employment income excluding benefits in kind,
- Benefits provided to a person related to an employee.

Lesson 2: Payments and persons exempted from employment income tax

a) Learning objective

Explain the payments and persons exempted from employments income tax.

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 discussed the components of employment income. This will help them to understand why some payments or persons are exempted from employment income tax as per tax legislation in Rwanda.

d) Learning activities

Activity 3.2

- Put students in small groups and give clear instruction about the activity
- Ask them to read carefully the questions and answer them
- Guide students' discussions 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. Answer or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 3.2

- 1) A provision on exemptions is necessary for PAYE in Rwanda although source of income is worldwide. For fairness, it is not understandable to include in the tax base the employer contribution to RSSB for employee retirement. It would be a kind of penalty against the employer and thus discouraging business. Besides, it is prudent to regulate the exemptions using the law so as to avoid any abuse so doing to avoid any tax evasion/ avoidance.
 - 2) The income of a foreigner who represents his or her country in Rwanda should be exempted on condition of reciprocity.
 - 3) If the employer is not obliged to withhold any tax, then the employee is held responsible to file himself the PAYE return to the tax administration.
- d) 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 for both gender and capability. 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 answer below as you assess their work.

Answers to application activity 3.2

There is no way Rwanda can apply PAYE on the income of a non-citizen individual employed by an international organization formed under international law. Doing so, would be a double taxation since the non-citizen in Rwanda will be imposed the same in his country of origin on basis of residence. This is in contradiction with the canon of equity as proposed by Adam Smith.

Lesson 3: Benefits in kind

- a) Learning objective

Explain the benefits in kind for employment income.

- 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

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

Answer to Activity 3.3

It is true that benefits in kind can be difficult to value than regular employment income. This is the case when the employer provides some benefits to person related to an employee in terms for example of presents, special support, etc... To overcome this barrier, Rwanda taxation law has specified the cases to be considered as benefits in kind for tax purposes and ignore the rest. It is stipulated in the tax law the following types of benefits in kind:

- Use of employer's vehicle at 10% of total employment income excluding benefits in kind.
- Interest saved by an employee from loan (including advance of more than 3 months' salary) provided by the employer.
- Use of employer's housing, furniture and equipment valued at 20% of the total employment income excluding benefits in kind.

e) Application activities 3.3

This activity can be given as a normal individual or group activity, where students use Rwandan tax legislation to describe different elements intervening in the computation of empolymen taxable income. If preference is to put them in

working group to facilitate students sharing experience, 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 3.3

1. Robert's benefit in kind for the provision of the car and driver is calculated as 10% of his cash emoluments.
2. $10\% \times \text{FRW } 4,200,000 = \text{FRW } 420,000$
3. Nancy's benefit in kind for the low interest loan is calculated as follows:

	FRW
Loan x deemed interest rate (FRW 5,000,000 x 6.5%)	325,000
Less: actual interest paid (FRW 5,000,000 x 1%)	(50,000)
Benefit in kind	<u>275,000</u>

1. Octave's benefit in kind for the provision of the accommodation is calculated as 20% of his cash emoluments.

$$\text{FRW } (54,000,000 + 700,000) \times 20\% = \text{FRW } 10,940,000$$

Lesson 4: Categories of employee

- a) Learning objective

Explain different categories of employees

- 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

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

Answer to Activity 3.4

There are three types of employees:

- Permanent employees
- Casual labourers
- Employees with more than one employer

Discussion on definitions:

All employees are regarded as permanent employees unless they fulfil the criteria for casual labourers or employees with more than one employer. A casual labourer is an employee who performs labour activities that don't require special skills like use of machinery and who is engaged by an employer for a period lesser than 30 days during a tax period. While if an employee is employed by more than one employer, the employer paying the highest taxable income is called the first employer.

e) Application activities 3.4

This activity can be given as a normal individual or group activity, where students discuss different types of employees. Monitor the activity to ensure students are effectively engaged in working group activity to ensure maximum participation.

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

Answers to Application Activity 3.4

As Muneza works for Dukore Company for less than 30 days in an unskilled capacity, he is classed as a casual labourer.

		Monthly	FRW
30,000	x 0%		0
20,000	x 15%		3,000
	50,000		
Total income tax payable			3,000

Lesson 5: RSSB contributions.

a) Learning objective

Demonstrate RSSB contributions of employee / employers and reliefs for employment income.

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 lessons, students covered the following: components of employment income, payments and persons exempted, categories of employees, different elements of benefit in kind. With these acquired skills, they are able to compute RSSB contributions. This will help them to understand better the management of social security in Rwanda and the accepted reliefs.

d) Learning activities

Activity 3.5

- Put students in small groups and give clear instruction about the activity
- Ask them to observe very well the photo 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. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answers to activity 3.5

Employee contributions to the Rwanda Social Security Board (RSSB) are deducted from an employee's pay check in a similar manner to PAYE. Employer contributions are also required and are deductible for tax purposes for the employer.

These are withheld by the employer and paid to the Rwanda Revenue Authority (RRA) along with PAYE. Then the RRA passes them to the RSSB.

e) Application activities 3.5

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers to Application Activity 3.5

RSSB contributions

	Marcel's contribution		Bahoneza Ltd's contribution		Total
		FRW		FRW	FRW
Pension	$(950,000 + 470,000) \times 3\% =$	42,600	$(950,000 + 470,000) \times 5\% =$	71,000	113,600
Maternity					
Leave	$(950,000 + 470,000) \times 0.3\% =$	4,260	$(950,000 + 470,000) \times 0.3\% =$	4,260	8,520
Total		<u>46,860</u>		<u>75,260</u>	<u>122,120</u>

Lesson 6: Declaration and Payment

a) Learning objective

Demonstrate the calculation, declarations and payment deadline of employment income tax.

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 be able to do by the end of the lesson. This will help you see the skills, knowledge attitudes embedded in the learning objective. Having discussed all elements constituting the PAYE and the RSSB contribution, make sure the students are calculating the two correctly while following the sequence according to the process provided by both domestic tax law and social security law in Rwanda. Remember the learning objectives are linked to the key unit competence which is accurate computation.

d) Learning activities

Activity 3.6

- Put students in small groups and give clear instruction about the activity
- Ask them to observe the photo in student book and answer the questions provided in the activity
- Guide students' discussions 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 explaining the terminologies used in PAYE and RSSB contributions management.
- Answers or address any questions or challenges about the activity especially on sequencing while computing tax and contribution.
- Make sure they are clear about the procedure and understand very well the reference base of computation and why this base is different depending on what you are calculating: either PAYE or RSSB contributions.
- Guide them to make notes in referring in their students' book.

Answers to activity 3.6

The pay as you earn (PAYE) system requires employers to collect income tax on their employees' employment income. Contributions to the RSSB are collected in the same way.

This means the employees do not need to declare or pay any further taxes on their employment income.

e) Application activities 3.6

This activity can be given as a normal individual or group activity, where learners analyze the options given to determine the appropriate answer to the question. Monitor the activity to ensure learners are on track and actively participating.

Learners 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 3.6

Tracy

You will not be personally required to pay your personal income tax on your employment income. Your employer Nziza will be responsible for deducting the correct tax from your employment income and for paying this to the tax administration. This is called pay as you earn, or PAYE.

Skills lab activity 3

Guidance on the skills lab activity:

In conducting this skills lab activity, you invite an officer from RRA to make a presentation at school on employment income tax and RSSB contributions. Besides, encourage students to conduct more research on different websites especially the one for RRA and RSSB.

i) Build

Given that students visit the RRA / RSSB website,

- 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

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

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 required deadlines.

3.6. Summary of the unit

Taxation of employment income refers to Pay As You Earn (PAYE). Nowadays, there is no way you can separate PAYE from Rwanda Social Security Board (RSSB) pension contribution since both must be withheld by the same person using the same source.

PAYE is tax on employment income. PAYE is an efficient way of collecting taxes on income earned by employees. PAYE is required to be withheld by employers on behalf of their employees and then pay it to tax administration.

Similarly, RSSB contributions must be paid on employment income through withholding process. RSSB contributions are paid by all employees and employers and go towards providing social security schemes such as pensions, cover for work related accidents, diseases, medical services or disease compensation, or to provide maternity leave benefits.

By the completion of this unit, students will be able to answer the following questions related to PAYE:

- What is PAYE?
- Who must register for PAYE?
- What are the obligations of PAYE registered taxpayers?

- Which types of employment income are taxable?
- Which types of employment income are exempt?
- What is the valuation method for benefits in kind?
- What are the tax rates for permanent employees?
- What are the tax rates for casual labourers?
- When is the deadline to declare and pay PAYE?
- How do you appreciate PAYE and RSSB contributions declared simultaneously?

Besides being capable to answer the above questions, the students should be able to apply and explain how to register, declare and pay RSSB contributions.

RRA is mandated to collect social security contributions on behalf of RSSB. This is because social security contributions are also paid on the basis of employment income. Therefore, it makes it easier for taxpayers to declare PAYE and social security contributions on one portal at the same time. RRA then transfers all social security contributions directly to RSSB. All in all, students must know that any malpractice while computing PAYE and RSSB contributions will attract penalties and fines.

3.7. Additional information for teachers

To facilitate taxpayers, RRA and 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.

Any failure to comply with the requirements related to PAYE and RSSB contributions will attract penalties and fines. In general offences may be grouped into four categories;

- Late declaration
- Late payment
- Declaring less than the amount tax due
- Paying less than the amount due

Besides the above sanctions, the rules concerning interest, administrative fines and repeat offenders may be applied to enforce better the law.

End unit assessment (answers)

3.8. Answers to end unit assessment activities

	Monthly FRW
Salary (FRW 75,000,000 ÷ 12)	6,250,000
Education allowance (FRW 3,000,000 × 3 ÷ 12)	750,000
Total cash emoluments	7,000,000
Add benefits in kind:	
Accommodation (20% × FRW 7,000,000)	1,400,000
Car (10% × FRW 7,000,000)	700,000
Less private pension relief	(50,000)
Monthly taxable employment income	<u>9,050,000</u>
30,000 × 0%	0
70,000 × 20%	14,000
8,950,000 × 30%	2,685,000
9,050,000	
Pay As You Earn	2,699,000

Answers to end unit assessment activities

Q2

Responsibility allowance	796,000
Performance pay increase	190,500
Transport allowance	250,000
Post incentives	305,000
Total Gross Salary	2,426,500
Monthly taxable employment income	
Housing in kind (20% total benefit)	485,300

Answers to end unit assessment activities

	BASIC CALCULATIONS FOR KSSB FUNDS	2,661,800
a)	Employee's pension fund contribution	2,661,800 x 3% = 79,854
	Employer's pension fund contribution	2,661,800 x 5% = 133,090
b)	Employee contribution to maternity leave	2,661,800 x 0.3% = 7,985
	Employer contribution to maternity leave	2,661,800 x 0.3% = 7,985
c)	Employee contribution to Medical Scheme	885,000 x 7.5% = 66,375
	Employee contribution to Medical Scheme	885,000 x 7.5% = 66,375
d)	P.A.Y. E	$\begin{array}{r} 2,911,800 \\ - 30,000 \\ \hline 2,881,800 \end{array}$ $\begin{array}{r} 70,000 \\ \times 20\% \\ \hline 14,000 \end{array}$ $\begin{array}{r} 2,811,800 \\ - 14,000 \\ \hline 2,807,800 \end{array}$ $\begin{array}{r} 2,807,800 \\ \times 30\% \\ \hline 843,540 \end{array}$ $\begin{array}{r} 857,540 \\ \hline \end{array}$
e)	NET SALARY = (All benefits - Employee's contributions)	2,911,800 (79,854) (7,985) (66,375) (857,540) $\begin{array}{r} \hline 1,900,046 \end{array}$
f)	CBHI	1,900,046 x 0.5% = 9,500
g)	TAKE HOME PAY = Net Salary - CBHI	1,900,046 (9,500)

3.9. Additional activities (Questions and answers)

3.9.1 Remedial activities

Question 1: UWIMANA Anet is a technician at ABC Industries Limited, receiving a monthly salary of FRW500,000. He is also allowed a car and an accommodation by the company. How much will be deducted as PAYE from UWIMANA's salary?

Answer:

- Basic salary: FRW500,000
- Housing benefit: $500,000 * 20 / 100 = \text{FRW}100,000$
- Transport benefit: $500,000 * 10 / 100 = \text{FRW}50,000$
- Gross salary/ taxable income: basic salary +allowances
- Gross salary= $500,000 + 150,000$
- Gross salary= $\text{FRW}650,000$
- PAYE:
 - $0-30,000: 0\% = 30,000 * 0 / 100 = 0$
 - $30,001-100,000: 20\% = 70,000 * 20 / 100 = 14,000$
 - $100,001 \text{ and above}: 30\% = 550,000 * 30 / 100 = 165,000$
 - Total PAYE= $0 + 14,000 + 165,000 = \text{Total PAYE} = \text{FRW}179,000$

Question 2: Dr DRUSHIM is a lecturer in University of Rwanda where he is paid a monthly basic salary of FRW600,000, housing allowances of FRW75,000, transport allowances FRW75,000, responsibility allowances FRW200,000 as a coordinator of evening program in his faculty.

This one is also a teacher at University of Kigali (UoK) on part time basis and gets the monthly gross salary of 260,000F

Required: Calculate the PAYE to be withheld by University of Rwanda and that of Kigali (UoK)

Answer:

- PAYE withheld by UR:

Gross salary: $600,000 + 75,000 + 75,000 + 200,000 = \text{FRW}950,000$

From: 0 to 30,000: $0\% = 30,000 * 0\% = 0$

From: 30,001 to 100,000: $20\% = (100,000 - 30,000) * 20\% = 14,000$

From: 100,001 to 950,000: $30\% = (950,000 - 100,000) * 30\% = 255,000$

Sub-total: $0+14,000+255,000 = \text{FRW}269,000$

- PAYE withheld by UoK: $\text{FRW}260,000 * 30\% = \text{FRW}78,000$

Question 3: Calculate an annual professional tax of an employee who earns the monthly basic salary of FRW141,000; housing allowances FRW19,000; communication allowances of FRW6,000; transport allowances FRW12,000. Required: annual professional tax.

Answer:

Data:

- Monthly income: FRW141,000
- Housing allowances: FRW19,000
- Communication allowances: FRW6,000
- Transport allowance: FRW12,000
- Total: FRW178,000

From	To	Tax rate	
0	30,000	0%	$\text{FRW}30,000 * 0\% = 0$
30,001	100,000	20%	$(100,000 - 30,000) * 20\% = 14,000$
100,001	178,000	30%	$(\text{FRW}178,000 - \text{FRW}100,000) * 30\% = 23,700$

PAYE Tax to be paid: $0+14,000+23,700 = \text{FRW}37,700$

Annual professional tax: $37,700 * 12 = \text{FRW}452,400$

3.9.2. Consolidation activities

Question 1: Uwimbabazi is employed by KCB Musanze branch as the branch manager on the following terms:

A monthly salary of FRW 1,200,000, Residential house where she pays FRW 300,000 per month but the market value of rent FRW 500,000, a company vehicle which she uses both private and office, the company pays two house girls for her each FRW 50,000, transport allowance of FRW 300,000 per month. During the month she went to Kigali to attend the board meeting and she uses FRW 120,000 on transport. Determine the monthly and annual taxable income and tax liability of Uwimbabazi.

Monthly

Annually

Salary	1,200,000	14,400,000
Transport allowance	300,000	3,600,000
House Benefit (500,000-300,000)	200,000	2,400,000
Motor vehicle benefit (10% \times 1,500,000)	150,000	1,800,000
House girls	100,000	1,200,000
Transport reimbursement	(120,000)	(120,000)
Taxable Income	1,830,000	21,960,000
Monthly Tax Liability		
0-30,000 tax rate 0%	0	
30,000 – 100,000 tax rate 20%	14,000	
100,000-1,830,000 tax rate 30%	519,000	
Tax liability	533,000	
Annual Tax Liability		
0-360,000 tax rate 0%	0	
360,000-1,200,000 tax rate 20%	168,000	
1,200,000 – 21,960,000 tax 30%	6,228,000	
Tax liability	6,396,000	

Question 2: Kayitesi is employed by Eco bank as the financial manager on the following terms: Monthly salary of FRW 2,000,000 per month, a company house and vehicle. Kayitesi uses the vehicle both private and business purpose. In addition, she also receives a medical allowance of FRW 50,000 and transport allowance of FRW 100,000 per month. The general policy of medical allowance is FRW 20,000 to all employees paid to Ruhengeri hospital. The bank also gave her an interest free loan of FRW 3,000,000. Kayitesi employs one house girl paid by the company at FRW 60,000 per month. During the month she contributed FRW 95,000 as pay as you earn (PAYE). Determine the monthly and annual taxable income and her tax liability. The inter-bank interest rate is 15%

	Monthly	Annually
Salary	2,000,000	24,000,000

Transport allowance	100,000	1,200,000
Housing benefit (2,100,000 x20%)	420,000	5,040,000
Motor vehicle benefit (2,100,000x10%)	210,000	2,520,000
Medical allowance (50,000-20,000)	30,000	360,000
Interest (3,000,000x15%)/12	37,500	450,000
House girl benefit 720,000	60,000	
Taxable Income	2,857,500	34,290,000
Monthly tax liability		
0-30,000 tax 0%	0	
30,000 – 100,000 tax 20%	14,000	
100,000 – 2,857,500 tax 30%	827,250	
Tax liability	841,250	
Less PAYE	(95,000)	
Tax payable	746,250	
Annual Tax Liability		
0 – 360,000 Tax 0%	0	
360,000 – 1,200,000 tax 20%	168,000	
1,200,000 – 34,290,000 tax 30%	9,927,000	
Tax liability	10,095,000	
Less PAYE	(1,140,000)	
Tax Payable	8,955,000	

3.9.3. Extended activities

Samson is an American national working with American Research Holding Inc. (ARH). ARH primary objective is to conduct research on causes of conflicts in African countries. ARH is not a tax resident in Rwanda and does not want to create or trigger any Permanent Establishment (PE) in Rwanda in the near future. ARH has signed a contract for two years with the Government of Rwanda to conduct research on what caused genocide in Rwanda in 1994.

ARH is planning to send Samson to Rwanda to conduct this research. Samson plans to recruit a local researcher from the University of Rwanda (UR) who will be assisting him in interpreting data from Kinyarwanda to English. The local researcher is on UR payroll and earns FRW 1,800,000 as gross pay per month. Samson will remain on AHR's payroll and his salary will be paid in California, his home town. He will get remunerated as follows:

- Basic annual salary \$ 18,000
- Monthly transport allowance \$ 200

The company will pay his return air ticket of \$1,000 so that he can come and commence work. In addition, he will be paid a return ticket of \$1,000 per annum to enable him visit his family in California. ARH will be paid a hardship allowance of \$150 per month because America considers Rwanda a risky country to work in.

He will be given domestic travel allowance of \$100 per month to enable him travel to all districts of Rwanda to collect data. This money will cover travel and accommodation and food out of Kigali. He will account for this money by producing receipts of expenditure.

In addition, ARH will rent a house in Kigali worth \$1,000 per month. This will be paid to the land lord's bank account held in the bank of Kigali. Samson will get a bonus of \$3,000 each year and will be paid in December each year. Samson will be paid education allowance of \$4,000 per annum for his children who are studying at Harvard University. He will be paid medical allowance of \$1,000 per annum and this will be paid to the Rwanda Insurance Company-Radiant Insurance Company.

He will be paid other monthly allowances in Rwanda totalling to FRW 700,000. In addition, he will be provided with a security guard from KK Security and a cook and these will be paid \$200 per month each. His research assistant from UR will be paid by ARH in Rwanda Francs. He will be paid FRW 1,200,000 per month. Apply exchange rate of 1\$= FRW 750.

Required:

- a) What is a Permanent Establishment (PE) in accordance with the tax laws of Rwanda?
- b) Discuss two ways in which income tax for Samson can be accounted for in Rwanda without creating a PE for ARH.
- c) Compute monthly PAYE and RSSB contribution for Samson.
- d) Compute PAYE for the local researcher.

Solution:

- a) PE

The term "permanent establishment" means a fixed place of business through

which the business of a person is wholly or partially carried on. In particular one of the following is considered as a permanent establishment: An administrative branch, factory, workshop, mine, quarry or any other place for the exploitation of natural resources, and a building site or a place where construction or assembly works are carried out.

A person is considered as not to have a permanent establishment if that person:

- 1° uses facilities solely for the purpose of storage or display of goods or merchandise;
- 2° maintains a stock of goods or merchandise belonging to that person solely for the purpose storage or display;
- 3° maintains a stock of goods or merchandise belonging to that person solely for the purpose of processing by another person;
- 4° has a place of operation aimed purposely at purchasing goods or merchandise or of collecting information related to his or her business;
- 5° has a place of operation solely for the purpose of carrying on preparations of his or her activities, and performing any other activities that make them more effective.

Notwithstanding provisions of points 1° and 2° above, where an agent, except an independent person, concerned with point 5°, of paragraph 2 acts on behalf of a person and who has capacity to make contracts in the name of that person, that person is considered as if he or she owns a permanent establishment in respect of activities his or her agent undertakes for the person except if such activities of the agent are limited to those mentioned in paragraph 2°.

A person is not considered as a permanent establishment if he or she only carries out activities through a broker, general commission agent or any other private agent in accordance with procedures of the ordinary course of the activities of such an agent.

b) Two ways in which income tax for Samson can be accounted for in Rwanda without PE:

- i) Source: ARH is invoicing gvt of Rwanda. Thus the source is Rwandan
- ii) Residence: Samson will spend more than 183 days in Rwanda. Thus he is Rwanda resident.
- c) PAYE and RSSB contribution for Samson

Basic salary (\$18,000 / 12)	\$1,500
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Add allowance

- Transport	\$200
- Hardship	\$150
- Bonus (\$3,000/12)	\$250
- Education allowance (\$4000/12)	\$353
- General allowance (FRW 700,000/750)	<u>\$933</u>
	<u>\$1,866</u>
	\$3,366

Add benefit in kind

- Air ticket to visit family (\$1000/12)	\$83
- House rent	\$1,000
- Security & cook (200x2)	<u>\$400</u>
	<u>\$1,483</u>
	\$4,849

In FRW = \$4,849 x 750 = FRW 3,636,750

PAYE:

0 to 36,000	0%	0
30,000 to 100,000	20%	14,000
100,000 to 3,636,750	$30\% \times 3,536,750$	<u>1,061,025</u>
		1,075,025

RSSB

Employment income is basic salary + cash allowances (Except transport allowance)

$$\text{Employment income} = 3,366 - 200 = \$3,166$$

$$\text{In FRW} = 3,166 \times 750 = \text{Frw}2,524,500$$

$$\text{Contribution of the employer: } 2,524,500 \times 5\% = 126,225$$

$$\text{Contribution of the employee: } 2,524,500 \times 3\% = \underline{75,735}$$

$$\text{Total RSSB contribution} = \text{FRW} 201,960$$

d) PAYE for local researcher

The one who is paying the biggest amount is the first employer: UR since 1,800,000 is bigger than 1,200,000

0 to 36,000	0%	0
30,000 to 100,000	20%	14,000
100,000 to 1,800,000	$30\% \times 1,700,000$	<u>510,000</u>
		524,000
Tax on income from ARH: $30\% \times 1,200,000$	<u>360,000</u>	
Total tax		FRW 884,000

UNIT 4

TAX DEPRECIATION

4.1. Key unit competence: Apply tax depreciation to produce a tax liability

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

The students will perform well in this unit if they have a good background on:

- The computation of asset cost
- The useful life of an asset
- The salvage value and obsolescence

4.3. Cross-cutting issues to be addressed:

- Inclusive education: Promote the participation of all students while the teaching and learning process.
- Peace and value education: During group activities, the teacher will encourage students to respect the opinions of their colleagues
- Gender: Give equal opportunities to all students for both girls and boys to participate actively in the lesson from the beginning to the end of the lesson.

4.4. Guidance on the introductory activity

- Lead small groups of students to work on introductory activity 1.
- Through class discussion, have the students think about different possible solutions and justify their validity to the whole class
- The teacher should go to all groups and provide pieces of advice where needed.
- After a certain time, ask the students to present their results and harmonize them.
- Point out to students that for the given activity, they may get different answers depending on the sentences they are looking at. Try to stimulate students' curiosity about the content of this fourth unit.

Answers for introductory activity 1

1. Depreciation is a way of accounting for the reduction in the useful life of property, plant and equipment due to obsolescence, wear and tear, and other factors.
2. a) Computers and accessories, information and communication systems whose life is under ten (10) years: fifty percent (50%);
b) Any other business asset: twenty five percent (25%).
- 3) Percentage rate =25%

Depreciation =FRW40,000,000*25%=FRW 10,000,000

4.5. List of lessons and lesson development

#	Lesson title	Learning objectives	Number of periods
1	Definition, Nature of tax depreciation and its availability	Identify the meaning of tax depreciation Define the nature of tax depreciation and its availability	2
2	The difference between tax depreciation and accounting depreciation	Make the difference between tax depreciation and accounting depreciation	2
3	The tax depreciation applied to individual assets and to pools of assets	Interpret the computation of tax depreciation	2
4	Computing tax depreciation	Be able to compute tax depreciation amounts accurately on any given asset or pool of assets.	3
5	Investment allowances	Identify investment allowances	2
6	Private use of assets by business owners	Identify private use of assets by business owners	1
End Unit Assessment			2
Total number of periods			14

Lesson 1: Definition, Nature of tax depreciation and its availability

a) Learning objective

Define the meaning of tax depreciation, as well as the nature and availability of tax depreciation.

b) Teaching resources

Printed or soft income tax law No. 16/2018, RRA tax handbook (2019), calculators, students' book, and other reference textbooks to facilitate research.

c) Prerequisites/Revision/Introduction

Students will learn this lesson better if they have good knowledge of basic mathematical calculations.

d) Learning activities

- Organize the students into small groups;
- Ask them to do activity 4.1. from the students' book
- After a period of time ask randomly some groups to present their findings to the whole class
- During harmonization, help students to discover the new lesson
- Use different probing questions and guide students to explore the content and examples given in the students' book.
- After this step guide students to do the application activity 4.1. conduct, assess their competencies and assess whether the teaching objectives have been achieved

Answers for Activity 4.1

The school administration needs to keep depreciating the truck and this depreciation amount will definitely reduce the tax liability so that the school can have funds for the replacement after its usage.

e) Application activities 4.1

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 4.1.

D. An investment allowance of FRW 75,000,000 could be available to KBM Ltd (if KBM Ltd had successfully applied for an investment certificate).

Lesson 2: The difference between tax depreciation and accounting depreciation

a) Learning objective

Make the difference between tax depreciation and accounting depreciation

b) Teaching resources

Printed or soft income tax law No. 16/2018, RRA tax handbook (2019), calculators, students' book, and other reference textbooks to facilitate research.

Prerequisites/Revision/Introduction:

Students will learn this lesson better if they have good knowledge of basic mathematical calculations.

c) Learning activities

- Organize the students into small groups;
- Ask them to make a difference between tax depreciation and accounting depreciation
- After a period of time ask randomly some groups to present their findings to the whole class
- During harmonization, help students to discover the new lesson
- Use different probing questions and guide students to explore the content and examples given in the students' book.
- After this step guide students to do the application activity 4.2 conduct, assess their competencies, and assess whether the teaching objectives have been achieved

Answers for Activity 4.2

Essentially, depreciation is a method of allocating the cost of a tangible asset over several periods of time due to decreases in the fair value of the asset. Note that amortization is a concept similar to depreciation, but it is applied primarily to intangible assets.

d) Application activities 4.2

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 4.2

1. Accounting depreciation (also known as book depreciation) is the cost of a tangible asset allocated by a company over the useful life of the asset.
2. The most common criteria for depreciable assets are:
 - The asset is the property owned by a taxpayer
 - A taxpayer uses the asset in the income-generating activities
 - The asset possesses a determinable useful life
 - The asset's useful life is more than one year

Lesson 3: Tax depreciation applied to individual assets and to pools of assets

a) Learning objective

Interpret the computation of tax depreciation

b) Teaching resources

Printed or soft income tax law No. 16/2018, RRA tax handbook (2019), calculators, students' book, and other reference textbooks to facilitate research.

c) Prerequisites/Revision/Introduction

Students will learn this lesson better if they have good skills of basic mathematical calculations.

d) Learning activities

- Organize the students into small groups;
- Ask them to clarify the assets that will be treated independently for the calculation of tax depreciation and those that will be grouped

- After some time, randomly ask a few groups to present their findings to the whole class
- During harmonization, help students discover the new lesson
- Use different probing questions and guide students to explore the content and examples from the student book.
- After this step guide students to do the application activity 4.3 conduct, assess their competencies, and assess whether the teaching objectives have been achieved

Answers for Activity 4.3

Reasons for providing depreciation are:

- i) It ensures that the revenue recognized bears the full cost of the permanent resources used during the same period
- ii) It spreads the depreciable amount of a fixed asset over its useful life
- iii) It provides a meaningful basis for the valuation and disclosure of fixed assets in the financial statements
- iv) It ensures that provision is made for the loss sustainable by fixed assets
- e) Application activities 4.3

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 4.3

Individual asset capital allowances

- a) Production line machinery built into a factory – 5% straight line (fixed/heavy machinery)
- b) A piece of telephone equipment with an expected life of 15 years, acquired under an operating lease – none (leased asset – needs to be a finance lease to qualify)
- c) The extension of a residential home – none (not used in a business)
- d) The purchase of patent rights – 10% straight line (purchased intangible asset)

Lesson 4: Computing tax depreciation

a) Learning objective

Be able to compute tax depreciation amounts accurately on any given asset or pools of assets

b) Teaching resources

Printed or soft income tax law No. 16/2018, RRA tax handbook (2019), calculators, students' book, and other reference textbooks to facilitate research.

c) Prerequisites/Revision/Introduction

Students will learn this lesson better if they have a good working knowledge of basic math calculations.

d) Learning activities

- Invite students to form small groups;
- Give clear instructions and introduce activity 4.4 by guiding the students
- In small groups, ask students to do activity 4.4 from the student book
- Move around to ensure all students are actively participating in the group discussion
- After a certain period of time, randomly ask a few groups to present their findings to the whole class
- Use a variety of probing questions and guide students to explore the examples and content of the student book to develop calculation skills to improve tax depreciation
- After this step, guide students to do the application activity 4.4 then assess their competencies, and evaluate whether lesson objectives were achieved.

Answers for Activity 4.4

Depreciation: $25\% \times 45,000,000 = \text{FRW } 11,250,000$

e) Application activities 4.4

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 4.4

	Telecommunications equipment	Tax depreciation available
<i>Year ended 31 December 2018</i>		
Cost	20,000,000	
Tax depreciation at 10%	(2,000,000)	2,000,000
TWDV c/f	18,000,000	
<i>Year ended 31 December 2019</i>		
Tax depreciation	(2,000,000)	2,000,000
TWDV c/f	16,000,000	
<i>Year ended 31 December 2020</i>		

Note that the FRW 9,000,000 disposal proceeds would be included in the taxable income of Nkuvugishe Plc in the year ended 31st, December 2020.

The overall impact on taxable income in the year ended 31st December 2020 is a deduction of FRW (9,000,000 – 16,000,000) = FRW 7,000,000; this gives total tax relief of FRW 11,000,000 over the three years, and this is equal to the economic loss on this asset suffered by Nkuvugishe Plc.

Lesson 5: Investment allowance and Private use of assets by business owners

a) Learning objective

Identify investment allowances and private use of assets by business owners

b) Teaching resources

Printed or soft income tax law No. 16/2018, RRA tax handbook (2019), calculators, students' book, and other reference textbooks to facilitate research.

c) Prerequisites/Revision/Introduction:

Students will learn this lesson better if they have a good knowledge of investment promotion and facilitation in Rwanda

d) Learning activities

- Invite students to work in groups on Activity 4.5 found in their student book;

- move around the class to moderate when necessary and provide further explanation of any challenges they may encounter during their work;
- Invite group representatives from each group to present their findings;
- As a teacher, harmonize the findings from the presentation and guide them to explain why they expect such types of taxpayers to facilitate fixed asset investments during the tax period.
- Use different probing questions and guide them to explore the content and examples from the student book;
- Guide students to classify the conditions for applying the investment allowance and guide them to identify the impact on tax depreciation;
- After this step, guide the students to complete the application activity 4.5 and assess whether the learning objectives have been met.

Answers for Activity 4.5

1. The investment allowance is 50% of the acquisition cost of the asset
 2. The investment allowance, permits investors to deduct from taxable income a certain percentage of the cost of eligible assets in addition to depreciation allowances
- c) Application activities 4.5

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 4.5

Answer is A. The investment allowance will be FRW 100,000,000 and the balance of FRW 100,000,000 will qualify for straight-line depreciation at 5% per year.

4.6. Summary of the unit

- Most assets used in the trade are eligible for tax depreciation.
- Assets that are not subject to wear and tear or obsolescence are not eligible for tax depreciation;
- Buildings, heavy and fixed machinery, intangible assets and computer equipment with a useful life of more than 10 years are all tax depreciated as a percentage of cost (straight line), on an individual asset basis;
- Other qualifying assets are allocated to one of two pools and are tax

depreciated on a declining balance basis;

- The investment allowance increases the tax relief in the acquisition year if the investor spends at least 50,000 US dollars (equivalent to approx. 50,000,000 FRW) in a tax period. This tax benefit is refundable if the asset is sold within three years
- The private use of a business asset limits the tax depreciation to the operational use share (currently 20% is considered private use);
- If the depreciated value of an asset or pool is less than FRW500,000; this is expensed.

4.7. Additional Information for Teachers

For more information, please refer to all official gazettes in the references page.

4.8. End unit assessment

Question 1.

	Business premises FRW	Computer server FRW	Computer equipment FRW	Other business assets FRW	Car (used privately) FRW		Tax depreciation FRW
TWDV b/f	40,000,000	4,200,000	3,500,000	8,600,000	3,000,000		
Additions				600,000			
Disposals			(3,100,000)				
Balance	40,000,000	4,200,000	400,000	9,200,000	3,000,000		
Tax depreciation rate	5% on	10% on	100%	25%	25%		
	50,000,000 (cost, net of investment allowance)	6,000,000	(balance under 500,000)				
Tax depreciation	2,500,000)	(600,000)	(400,000)	(2,300,000)			5,800,000
Tax depreciation – car					(750,000)	80%	600,000
TWDV C/f	37,500,000	3,600,000	NIL	6,900,000	2,250,000		
Total tax depreciation							6,400,000

Question 2

FRW 50,000,000 x 5% = FRW 2,500,000 per year. Assumed private use is 20% so depreciation claim will be 80% x 2,500,000 = FRW 2,000,000. There is no investment certificate so no investment allowance.

4.9. Additional activities

4.9.1. Remedial Activities:

1. Y Ltd purchased a building during the tax period for a price of FRW 50,000,000. No investment certificate was applied for by Y Ltd. The building is mainly used as retail premises by Y Ltd, but there is living accommodation above the shop which is used by one director.

What is the maximum annual tax depreciation that can be claimed by Y Ltd in relation to this building?

- a) FRW 2,500,000
- b) FRW 500,000
- c) FRW 2,000,000
- d) FRW 21,000,000

Answer:

c. FRW2,000,000

FRW 50,000,000 x 5% = FRW 2,500,000 per year. Assumed private use is 20% so depreciation claim = 80% x 2,500,000 = FRW 2,000,000. There is no investment certificate so no investment allowance.

2. Tax depreciation in Rwanda is either given on assets separately or on asset 'pool'. On which of the following assets will tax depreciation be calculated separately?
 1. Lorries
 2. Goodwill
 3. Computer systems with an expected life of eight years
 4. Production line machinery
 - a) 1 and 3
 - b) 2 and 4
 - c) 2 and 3
 - d) 1 and 2

Answer:

b. 2 and 4

4.9.2. Consolidation activities:

Maurice Ntwali, who has been in business for several years, bought a Volkswagen car for FRW 25,000,000. Maurice uses the car for both business and private journeys.

Required: Compute the tax depreciation

The tax depreciation computation for the year of purchase is as follows:

	<i>Value</i>		<i>Tax depreciation</i>
	FRW'000		FRW'000
Volkswagen car			
Purchase cost	25,000		
Tax depreciation (25% x FRW 25,000,000)	(6,250)	x 80%	5,000
TWDV c/f	18,750		
Total tax depreciation for the year			5,000

4.9.3. Extended activities:

M Ltd, a Rwandan resident company, has the following brought forward balances on its assets that qualify for tax depreciation

	<i>information</i>	<i>TWDV b/f (FRW)</i>
Business premises	Cost FRW 100,000,000, investment allowance 50% claimed on acquisition	40,000,000
Computer server equipment	Useful life 12 years, original cost FRW 6,000,000	4,200,000
Computer equipment pool		3,500,000
Other assets pool		8,600,000
Car(used privately by a company employee)		3,000,000

During the year, the following transactions took place:

Purchases

Office furniture costing FRW 600,000

Disposals

Computer equipment – proceeds FRW 3,100,000

Required: Compute the total tax depreciation available to M Ltd in the tax period. Show clearly the balances to carry forward for each pool or individual asset.

Answer

	Business premises FRW	Computer Server FRW	Computer Equipment FRW	Other business assets FRW	Car (Used privately) FRW	Tax depreciation
TWDV b/f	40,000,000	4,200,000	3,500,000	8,600,000	3,000,000	
Additional disposal balance			3,100,000	600,000		
Tax depreciation	5% on 50,000,000	10% on 6,000,000	100% (balance under 500,000)	25%	25%	
Tax depreciation	(2,500,000)	(600,000)	(400,000)	(2,300,000)		(5,800,000)
Depreciation car					(750,000)	600,000
TWDV C/f Total depreciation	37,500,000	3,600,000	NIL	6,900,000		6,400,000

UNIT 5

THE TAXATION OF INVESTMENT INCOME

5.1. Key unit competence: To be able to use and interpret the taxation of investment income

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

In senior 4 Unit 1 you analysed direct tax and indirect tax, while in senior 4 unit 4 you analysed depreciation tax. This prior knowledge, skills or competences should help the students to be able to use and interpret the taxation of investment income in their locality and be able to realize their contribution as students towards business.

5.3. Cross-cutting issues to be addressed:

Note: The examples below are just to guide you on how to address crosscutting 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 crosscutting issues where possible taking consideration of their environment or community around them.

Gender education: Emphasis throughout this unit has to be put on how both males and females have same rights and obligations to do business activities which can generate an income in their local community. So as to promote better standard of living of business activities and their community in the creation of business-based employment opportunities and the country by paying taxes leading to socioeconomic development.

Environment and sustainability: The greatest source of tax is the environment and the society. Taxation of investment income cannot be applied without the environment. Therefore, great care has to be taken for environment and society. Paying tax is source of public income used by government in protecting environment from harm.

Inclusive education: In addition to all having equal opportunities to become businesses, attention will be made on how we all regardless of our background have right to generate ideas that do not discriminate as our needs are the same.

Students need to understand that tax should not discriminate but promote inclusiveness of all. Throughout the study of investment income tax, students should be able to evaluate the contribution of this tax in socio-economic development of the community.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when studying tax. Students will learn what is permitted and what is prohibited to manage learning resources and materials well. They will put in mind that misusing materials is wasting money.

5.4. Guidance on introductory activity

NOTE: The students won't be able to answer all the questions at this stage; they can answer one question. The most important thing is that you want to challenge students to be expectant and to use their previous knowledge and background to self-discover during teaching and learning of this unit.

Explain the purpose of the introductory activity of the lesson. This activity is intended to provide interest and motivation for students to be able to use and interpret the taxation of investment income as opportunity of fighting against tax evasion and tax avoidance in the community.

The introductory activity will also evoke students' interests about what to expect in this unit as they answer the questions that follow in the activity. Students can build on previous knowledge, skills, values and attitudes to help you assess the student's prior knowledge and help link with the new content.

Use an appropriate method such as small groups or pairs and provide students with Unit 5 introductory activity, give clear instructions to the activity.

They observe photo and discuss what activities may have been carried out. They read a scenario about tax in Rwanda and discuss about what could be done by taxation to resolve some problems happening in business activities.

During grouping or pairing, mix boys and girls and students with different abilities.

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

Harmonize their findings or answers, and help them draw conclusions/summary to questions. Answer or address any questions or challenges about the activity. Guide them to make notes in their books referring to students' book.

Possible Answers of introductory activity:

- From the photo there are: Stock exchange trading board, profit and loss, machinery, taxes and taxpayer.
- Investment income, includes all payments in cash or in kind in the form of interest, dividends or royalties. In the majority of cases, this will already have been paid as a withholding tax, but must still be declared, and then claimed back.

5.5. List of lessons/sub-heading

	Lesson title/Sub-heading	Learning objectives	Number of periods
1	Legislative features or components of investment income	Identify the legislative features or components of the investment income	4
2	Exemption from investment income	List the exemptions on investment income according to the taxation laws	3
3	Computation of investment income	Compute investment income	4
4	Rental income from machinery and equipment	Compute tax rental income machinery and equipment	4
5	Capital gains tax on shares	Explain the capital gain tax on shares	4
6	Capital gains tax on immovable property	Explain the capital gain tax on immovable property	4
End Unit Assessment			3
Total number of periods			26

Lesson 1: Legislative features or components of investment income

a) Learning objective

Identify the legislative features or components of the investment income

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

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. Students are familiar with term tax and business from entrepreneurship S3 Unit 9 and about direct tax and indirect tax from S 4 Unit 1. Again, they live in society where tax and businesses applied.

d) Learning activities

- Invite students to read individually the question in the student book and work in pairs to share with the classmates.
- Have some pairs and make the presentations
- Provide constructive feedback in terms of supplements

Answers to activity 5.1:

The components of investment income tax are: financial interest, Dividend income, Royalties and Rental income.

e) Application activities 5.1:

Invite students to read, the application activities in student book and answer them.

Answers to Application Activity 5.1

1. Dividend income is the payment of profits to shareholders, and is derived from the owing of shares in any societies. Dividend income is also subject to a withholding tax of 15%. However, for shares that are listed at the Rwanda stock exchange and owned by a taxpayer from East Africa, it is subject to a withholding tax of 5%.

Then, royalty income includes: All payments of any kind received as a prize for the use of, or the right to use, any copyright of literary, craftsmanship or scientific work including cinematograph films, films, or tapes used for radio or television

broadcasting; Any payment received from using a trademark, design or model, computer application and invention patent; The price of using, or of the right to use industrial, commercial or scientific equipment or for using information concerning industrial, commercial or scientific knowledge; Payments from natural resource use.

2. Rental income includes income from the rental of machinery and other equipment, including agriculture and livestock equipment.

Lesson 2: Exemption from investment income

- a) Learning objective

List the exemptions on investment income according to the taxation laws

- b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

- c) Prerequisites/Revision/Introduction

Students are familiar with term tax and business from entrepreneurship S3 Unit 9 and about direct tax and indirect tax from S 4 Unit 1. Again, they live in society where tax and businesses applied.

- d) Learning activities

- Invite students to read individually the scenario in the student book and work in pairs to share with the classmates the activities do.
- Some pairs make the presentations
- Provide constructive feedback from the findings

Answers to activity 5.2:

Yes. Some goods are exempted like goods and services related to health purposes:

- a) health and medical services;
 - b) equipment designed for persons with disabilities;
 - c) goods and drugs appearing on the list provided for by an Order of the Minister.
-
- d) Application activities 5.2
 - Invite students to read, discuss in pairs the application activities in

student book

- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Answers to Application Activity 5.2

Income accruing from savings in collective investment schemes and employees' shares scheme, Income earned by an agriculturalist or a pastoralist on agricultural or livestock activities is exempt if the turnover from agricultural or livestock activities do not exceed twelve million, Capital gain from the sale or transfer of shares on the capital market and capital gain from the sale or transfer of units of the collective investment schemes.

Lesson 3: Computation of tax on investment income

- a) Learning objective

Compute investment income

- b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

- c) Prerequisites/Revision/Introduction

Students are familiar with term tax and business from entrepreneurship S3 Unit 9 and about direct tax and indirect tax from S 4 Unit 1. Again, they live in society where tax and businesses applied.

- d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards the importance of business law in business activities.
- Invite students to share their findings

Answers to activity 5.3:

Yes, because it helps in deciding which investments to sell and when. It can also be used as a tax planning tool and can help in examining various ways to lower taxes. It affects investment strategies and financial planning.

- e) Application activities 5.3

Invite students to read the application activities in student book and answer individually accordingly.

Answers to Application Activity 5.3

1. This means that, the FRW 10,000 was received after deducting 15% tax at the source. Therefore, the gross amount will be $100/85 \times 10,000 = 11,765$
2. Tax to be paid by Modern Ltd Company = FRW 10,000,000 $\times 15\% =$ FRW 1,500,000

Lesson 4: Rental income from machinery and equipment

- a) Learning objective

Compute rental income tax of machinery and equipment

- b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

- c) Prerequisites/Revision/Introduction

Students are familiar with term tax and business from entrepreneurship S3 Unit 9 and about direct tax and indirect tax from S 4 Unit 1. Again, they live in society where tax and businesses applied.

- d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards the importance of law in business activities.
- Invite students to share their findings

Answers to activity 5.4:

1. Machinery is defined as a mechanical device or the parts that keep something working.
2. Equipment is the implements used in an operation or activity like agriculture
3. Yes, because they earn income from machinery or equipment rented
4. Calculate tax for rental income tax from machinery and equipment,

filing declaration for rental income tax from machinery and equipment, , clearing tax on time and paying tax.

e) Application activities 5.4:

Invite students to read the application activities in student book and answer individually accordingly.

Answers to Application Activity 5.4

Gross rental income	2,400,000
Less 10% deemed expense	(240,000)
Interest	(100,000)
Depreciation ($5\% \times 20,000,000$)	(1,000,000)
Taxable rental income	1,060,000

Lesson 5: Capital gains tax on shares

a) Learning objective

Explain the capital gain tax on shares

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with term tax and business from entrepreneurship S3 Unit 9 and about direct tax and indirect tax from S 4 Unit 1. Again, they live in society where tax and businesses applied.

d) Learning activities

- Put students in groups; ask them to read the scenario in student book.
- Guide student's discussions towards legal institution related to business activities.
- Invite students to share their findings

Answers to activity 5.5:

Capital gains tax on shares

e) Application activities 5.5

- Invite students to read, discuss in pairs the application activities in student book
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Answers to Application Activity 5.5

Proceeds from the shares transferred	$350,000 \times 200$	70,000,000
Cost of the shares transferred	$350,000 \times 180$	(63,000,000)
Capital gain		7,000,000
Capital gain tax	$7,000,000 \times 5\%$	350,000

Lesson 6: Capital gains tax on immovable property

a) Learning objective

Explain the capital gain tax on immovable property

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, chalkboard, chalk, papers, internet, computer, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students are familiar with term tax and business from entrepreneurship S3 Unit 9 and about direct tax and indirect tax from S 4 Unit 1. Again, they live in society where tax and businesses applied.

d) Learning activities

- Put students in groups ask them to read the scenario in student book.
- Guide student's discussions towards registration of business in Rwanda.
- Invite students to share their findings

Answers to activity 5.6:

Capital gains tax on immovable property

e) Application activities 5.6:

- Invite students to read, discuss in pairs the application activities in student book
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Answers to Application Activity 5.6

Q1.

A registered investor shall not pay capital gains tax. However, income derived from the sale of a commercial immovable property shall be included in the taxable income of the investor.

Q2.

Penalties and fines are enforced for:

- Late declaration
- Late payment
- Declaring less than the correct tax due
- Paying less than the tax due declared. There are no additional penalties or fines specifically applicable to Capital Gains Tax. The only difference compared to other domestic taxes is that as Capital Gains Tax is declared and paid on a case-by-case basis, there is no need to submit regular Capital Gains Tax declarations if no taxable capital gain has been received.

5.6. Summary of the unit

Investment income tax: Includes payments of interest, dividends, service fees, royalties, and rent which has not been taxed as business income in accordance with law No 016/2018. Investment income, includes all payments in cash or in kind in the form of interest, dividends or royalties. In the majority of cases, this will already have been paid as a withholding tax, but must still be declared, and then claimed back.

Rental income from machinery and equipment: Includes all revenues derived from rent of machinery and other equipment including agriculture and livestock equipment in Rwanda.

Capital Gains Tax on shares: According to Article 36 of Law 16/2018, capital gain tax is charged on the sale or transfer of shares. The capital gain

on sale or transfer of shares is the difference between the acquisition value of shares and their selling price or transfer price.

Capital gains tax on immovable property: Capital gains tax on immovable business property is paid at a rate of 30% of the selling value of the property (net of selling expenses and any unrelieved tax base) and can be declared as income as part of an individual's income tax assessment, or by a company as part of their corporate income tax. Alternatively, it can be declared separately.

5.7. Additional information for teachers

A resident individual or resident entity must withhold tax whenever they make the following payments:

Income	Rate (%)
Interest – unlisted securities	15
Interest – listed securities and listed bonds with maturity of three years and above	5
Dividend	15
Dividend – listed securities	5
Royalty income	15
Service fees, including management and technical services fees, with the exclusion of international transport	15
Performance payments made to an artist, a musician or a sportsperson	15
Lottery and other gambling proceeds	15
Good supplied by companies or physical persons not registered as taxpayers in Rwanda	15
Goods imported for commercial use	5
Payments by public institutions to winners of public tenders	3

5.8. End unit assessment

1. (B) Interest, Dividends, Royalties and Rent
2. (C) capital gain tax
3. (C) FRW 15,000

Taxable income = $100,000 \times 15\% = 15,000$

1. FRW 1,000,000

Taxable rental income= Gross rental less 10%, loan interest and depreciation

Taxable income = FRW 2,500,000 - 250,000 - 100,000 - 1,150,000 = 1,000,000

2. (C) The sale of residential house and (D) The sale of a factory used in the trade of a sole trader

5.9. Additional activities

5.9.1. Remedial activities

1. What do you understand by the following terms?

A. Financial interest

B. Dividend income

C. Rental income

Possible Answer:

A. Financial interest

According to Article 40 of Law 16/2018, financial interest includes: Income from loans; Income from deposits; Income from guarantees; Income from government securities, income from bonds, negotiable securities issued by the Government, securities issued by public and private companies, as well as income from cash negotiable securities.

B. Dividend income

Dividend income is the payment of profits to shareholders, and is derived from the owing of shares in any company. Because the profits of Rwandan resident companies suffer corporate income tax, the only further tax that may be payable by a Rwandan taxpayer on dividends received from a Rwandan company is withholding tax. This also includes the outstanding balance after taxation of profit.

C. Rental income:

Rental income includes income from the rental of land and buildings as well as rent of machinery and other equipment, including agriculture and livestock equipment.

1. Describe the exemption from paying investment income tax

Possible Answer:

- Income accruing from savings in collective investment schemes and

employees' shares scheme within a company are exempted from income tax.

- Income earned by an agriculturalist or a pastoralist on agricultural or livestock activities is exempt if the turnover from agricultural or livestock activities do not exceed twelve million Rwanda francs (FRW 12,000,000) in a tax period.

In case the turnover exceeds twelve million Rwandan francs (FRW 12,000,000), the latter amount is excluded from the taxable income.

- Capital gain from the sale or transfer of shares on the capital market and capital gain from the sale or transfer of units of the collective investment schemes, is exempted from capital gain tax.

5.9.2. Consolidation activities

- SHYIRAMBERE purchased 200,000 shares from Bank of Africa at FRW200 per share, a private limited company in 2010. In 2020, SHYIRAMBERE sold 100,000 shares to Alex at FRW 250 per share.

Compute the capital gain and the capital gain tax

Possible Answer:

Particulars	FRW	FRW
Sales proceeds	$100,000 \times 250$	25,000,000
Cost of the shares sold	$100,000 \times 200$	(20,000,000)
Capital gain		5,000,000
Capital gain tax	$5\% \times 5,000,000$	250,000

- NYIRISHEMA owns machineries that he rents to various individuals, during the year ended 31/12/2021, he received a gross rental income of FRW 25,000,000. The machines were purchased in 2018 at FRW 20,000,000. During the purchase, he borrowed FRW 5,000,000 from the bank at an annual interest rate of 20%.

Required:

Compute his taxable rental income and the tax payable.

Computation of taxable rental income and tax liability

Possible Answer:

Gross income		25,000,000
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Less allowable expenses	10% ×25,000,000	2,500,000	
Interest expenses	20% × 5,000,000	1,000,000	
Depreciation	Working 1	3,750,000	(7,250,000)
Taxable income			17,750,000
Tax band	Tax rate	Tax	
0 → 360,000	0%	0	
360,000 → 1,200,000	20%	168,000	
1,200,000 → 17,750,000	30%	4,965,000	
Tax liability		5,133,000	

Working 1 Depreciation

Period	Depreciation (25%)	Accumulated Depreciation	Net Book Value
1	20,000,000×25% = 5,000,000	5,000,000	15,000,000
2	15,000,000×25% = 3,750,000	8,750,000	11,250,000

5.9.4. Extended activities

During the year ended 31/12/2021, KAMANZI received income from the following assets.

100,000 shares of FRW200 each in KAMUHANDA limited a private company whose shares are not listed at Rwanda stock exchange. During the year ended, KAMANZI sold 6000 shares at FRW359 each.

Invested FRW 20,000,000 in a fixed deposit account in the bank for a period of eight months at an annual interest rate of 9%.

Received FRW 8,000,000 from the investment in Government bonds with a maturity period of two years KAMANZI has 80,000 shares in BK a listed company at RSE market.

At the end of the year, the company declared a dividend of FRW 200 per share.

KAMANZI also owns a fixed deposit account in NILE bank with a maturity of two years, at the end of the year he received an interest income of FRW 3,000,000.

During the year he sold a copy right of his new book at FRW 12,000,000.

He also invested in government securities with a maturity period of 5 years, during the year he received an interest income of FRW 6,000,000

He owns 20,000 shares of FRW 300 each in BYIZA limited a listed company in Rwanda stock exchange market. During the year he disposed of 12, 000 shares at FRW 400 each.

He owns shares in UBUKI limited a private company that is listed at RSE. During the year ended, he received a dividend income of FRW 2,500,000

Required: Compute the relevant withholding taxes.

Income	Workings	WHT
Capital gain	Proceeds from the sale of shares (359×6000) 2,154,000 Cost of the shares (200×6000) 1,200,000 Capital gain 954,000 Capital gain tax ($954,000 \times 5\%$)	47,700
Interest income	$(20,000,000 \times 9\%) \times 8/12$ 1,200,000 $\times 15\%$	180,000
Interest income	$8,000,000 \times 100/85$ (since maturity is below 3 years the withholding is 15% and it is at the source) 9,411,765 $\times 15\%$	1,411,765
Dividend income	$200 \times 80,000 = 16,000,000$ (since it is a listed company, the WHT is 5%) $5\% \times 16,000,000$	800,000
Interest income	Since the maturity of the deposit is above one year the income is exempted	Exempted
Royalty income	$12,000,000 \times 15\%$	1,800,000
Interest income	$6000,000 \times 100/95$ (since it is a long-term government bond the WHT is 5%) $6,315,790 \times 5\%$	315,790
Capital gain	Capital gain on shares that are listed at RSE is exempted	Exempted
Dividend income	$2,500,000 \times 100/95$ (since shares are listed at RSE the WHT tax is 5%) $2,631,579 \times 5\%$	131,579

Note: when the income is received net, in order to calculate the withholding tax (WHT), there is a need to first gross them before computing the tax.

UNIT 6

TAXATION OF INDIVIDUAL BUSINESS PROFITS

6.1. Key unit competence: To be able to apply and compute the taxation of individual business profits (PIT)

6.2 Prerequisites (knowledge, skills, attitudes, and values)

Besides the unit 1 on Rwanda Taxation System covered in S4 where they were introduced to different types of taxes and duties administered in Rwanda, students were introduced in senior 2 (unit 5) to the taxes in Rwanda, in senior 3 (unit 5) to the role of Rwandan Customs procedures. This prior knowledge, skills or competences should help students to compute the personal income tax (PIT) related to individual businesses and file its related return.

6.3. 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.

6.4. Guidance on the introductory activity

- Lead small groups of students to work on introductory activity 1.
- During the class discussion, have the students think about different possible solutions for business growth 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 results.

- 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 sixth unit's material.

Answers for introductory activity 1

For business owners, it is important that they understand the different stages of business growth, so that they can perform with maximum efficiency at each stage. Identifying these stages and understanding the details eventually helps owners to identify the problems that they may face at each particular stage, deploying effective solutions and eventually becoming successful.

6.5. List of lessons and lesson development

#	Lesson title	Learning objectives	Number of periods
1	Definition of the concept	Explain the meaning of business and exempted business income	1
2	The taxation of small businesses	Discuss the taxation of small business	3
3	Adjustment of profit for tax	Demonstrate the adjustments of profits for tax	2
4	Capital and revenue expenditure	Identify the difference between capital expenditure and revenue expenditure	3
5	Transactions made for foreign currencies	Identify the transactions made for foreign currencies	3
6	Long-term contracts and Stock	Identify long term contacts and stock	2
7	Bad debts	Explain the bad debts	1
8	Transfer pricing principles	Identify the transfer pricing	3
End Unit Assessment			2
Total number of periods			20

Lesson 1: Definition of the concept

a) Learning objective

Explain the meaning of business and exempted business income

b) Teaching resources

Printed or soft income tax law No. 16/2018, 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 learn well the content of previous unit in this subject especially unit two and unit five.

d) Learning activities

- Invite students to work in group and do the activity 6.1 found in their students' book;
- Move around the class to moderate where needed and provide more clarity about any challenges they may encounter during their work; identify groups with different work steps.
- Invite each group with different working steps to present their answers in a whole class discussion;
- As a teacher, harmonize the insights from the students' presentation and ask them to provide other real life examples of problems that involve the use of business profit
- Guide them to explore examples given in the students' book

Answers for Activity 6.1

When I started Simple Straw Solutions four years ago, I started with very little money that I put up out of my own pocket. However, as I started taking more orders and needed more capital to execute orders, I knew I needed to secure outside funding and attended a variety of small business conferences that connect small businesses with potential investors. After about three months of events, I received offers from various sources to finance production and marketing costs and closed deals with investors that have helped our company to grow exponentially.

Taxpayers that are exempt from Income Tax are not required to register, declare or pay Income Tax.

e) Application activities 6.1.

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to

give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 6.1.

Mutunzi is a farmer with an annual turnover of FRW 15,870,350, then to calculate his taxable income we should deduct the allowance and the rest is the taxable income.

Taxable income (agriculture) = FRW 15,870,350 – FRW 12,000,000 = **FRW 3,870,350**

Lesson 2: The taxation of small businesses

a) Learning objective

Discuss the taxation of small business

b) Teaching resources:

Printed or soft Income Tax Law No. 16/2018, 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 learnt well the content of previous unit in this subject especially unit one and unit two.

d) Learning activities

- Invite students to sit in small groups;
- Invite students to work in small groups on the questions for activity 6.2
- Move around to support and guide struggling students in their work
- Ask the group representative to share their findings with the whole class during a class discussion;
- As a teacher, harmonize different answers given by students on the activity 6.2
- Use different questions and examples from the student book and guide them on how to solve different small business questions
- After this step of application activity 6.2, assess their competencies and assess whether the lesson objectives have been met

Answers for Activity 6.2

The following are the important contributions of small business towards economic development.

1. Greater flexibility in their operations: They are much better placed in catering to individual tastes and changing fashions.
 2. Labour-intensive: They thus ideally suit the country where capital is scarce while labour is super abundant. Small scale industries provide opportunities for profitable employment of these skills, thus playing a vital role in relieving the widespread and object poverty.
 3. Making use of local resources which otherwise may go waste: They provide opportunities for entrepreneurship to many more persons. They thus promote entrepreneurship which is an essential factor in economic development.
 4. Artistic handicrafts earn valuable foreign exchange for the country: It is able to contribute some percentages of the much-needed foreign exchange earnings through exports.
 5. Easy and quick to be set into operation: While large businesses take years to put up and attain reasonable levels of capacity utilization, small scale units can be set up in a much shorter period contributed.
 6. Possibility of decentralization of production: decentralization of production made possible by small businesses can provide a check on excessive and premature urbanization which is a serious problem.
 7. The contribution to the manufacturing sector and GDP as a whole is significant in terms of its share in total value added.
 8. Role in mitigating the problem of imbalance in the balance of payment accounts through its export promotion.
 9. Providing opportunities to a large number of capable and potential entrepreneurs who are deprived of appropriate opportunities.
 10. Releasing scarce capital towards productive use.
 11. Minimum element of risk in SMEs leading to employing of more resources by large number of labour force.
- e) Application activities 6.2

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 6.2

Flat and turnover taxes

- A. Clement Gatete, is a clothing manufacturer with an annual turnover of FRW 18,000,000 and expenses of FRW 4,000,000 per tax year.
- B. Small enterprise (turnover FRW 12-20M). Turnover tax at 3% = FRW 18M x 3% = FRW 540,000
- C. Henriette Uwiragiye, a lawyer with an annual turnover of FRW 15,000,000 per tax year.
- D. Turnover and flat taxes not applicable – liberal profession. Must be taxed on profits.
- E. Dutembere Plc, a company specializing in the tourist industry, with a turnover of FRW 25,000,000 and expenses of FRW 6,000,000 per tax year.
- F. Turnover above FRW 20,000,000. Not within small businesses regime, so must be taxed on profits.
- G. Claude Mukamire, a crop farmer with an annual turnover of FRW 17,000,000.

Taxable income (agriculture) = FRW 17,000,000 – FRW 12,000,000 = FRW 5,000,000

Micro-enterprise: flat tax (FRW 4,000,001 – FRW 7,000,000) = FRW 120,000

Lesson 3: Adjustment of profit for tax

- a) Learning objective

Demonstrate the adjustments of profits for tax

- b) Teaching resources

Printed or soft Income Tax Law No. 16/2018, RRA Tax Guide (2019), calculator, student book and other reference books to facilitate research.

- c) Prerequisites/Revision/Introduction

Students learn this lesson better when they have a good understanding of business profits, deductible expenses, and non-deductible expenses.

- d) Learning activities

- Organize the students into small groups;

- Give clear instructions and introduce activity 6.3 by guiding the students
- In small groups, ask students to do activity 6.3 from the student book
- Request students brainstorm what they know about profit adjustment, and then have a detailed conversation about what is adjusted profit for tax purposes.
- After some time has passed, select a few groups at random to present their findings to the entire class.
- During harmonization, assist students in learning about the new lesson.
- Use a variety of probing questions to lead students through the lesson and examples in the student book.
- After this phase, instruct students on how to do the application activity 6.3, assess their competencies, and determine whether the instructional objectives were met.

Answers for Activity 6.3

Adjusted Profit includes profits from operating activities and excludes personal allowances, certain tax relief and real estate and financial instrument revaluations, capital gains or losses, exceptional items and other defined conditions.

Keep in mind that adjusted profit is calculated after adding non-deductible expenses and subtracting deductible expenses and excluded income. The value derived from this calculation is the adjusted profit

e) Application activities 6.3.

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 6.3

Workings:

- (W1): Personal Rent = FRW3,000,000 x 25% = FRW750,000
- (W2): Overheads expenses = FRW(500,000 + 400,000) x 20% = FRW180,000

a) Profit and Loss account

Description	FRW
Sales	55,000,000
Cost of goods sold	(12,000,000)
Gross profit	<u>43,000,000</u>
Administration expenses	2,000,000
Operating expenses	1,500,000
Fines and penalties paid	500,000
Rent	3,000,000
Provision for bad debts	5,000,000
Transport & Insurance	1,500,000
Depreciation expenses	400,000
Communication expenses	500,000
Interest paid to Bank of Kigali	400,000
Electricity & Water expenses	400,000
Fuel expenses	600,000
Total expenses	15,800,000
Profit before tax	<u>27,200,000</u>

b) Adjusted taxable income

	FRW'000	FRW'000
Net profit as per accounts (A/Cs)		27,200
Add:		
Fines and penalties		500
Personal rent		750
Overhead's expense	<u>180</u>	<u>1,430</u>
Less: Investment allowance	<u>1,500</u>	<u>(1,500)</u>
Adjusted business profits		27,130

Lesson 4: Capital and revenue expenditure

a) Learning objective

Identify the difference between capital expenditure and revenue expenditure

b) Teaching resources

Printed or soft Income Tax Law No. 16/2018, 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 6.4 in small groups.
- Move around to help and guide students who are having difficulty with their assignment.
- Request each group exchange their responses with another group, and that they encourage one another when they face larger difficulties in completing this activity. 6.4
- During a class discussion, ask the group leader to present their findings with the entire class.
- As a teacher, harmonize the students' different responses to Activity 6.4
- Have students go through application activity 6.4 and assess whether the objectives of the lesson have been met.

Answers for Activity 6.4

Capital expenditure is the money a company spends to acquire assets or improve the quality of existing ones. Revenue expenditures are the monies spent by businesses to keep up their day-to-day operations.

e) Application activities 6.4.

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 6.4

C. 3 and 4

Repairs, irrespective of their cost, are revenue in nature and therefore allowable business expenditure. The computer upgrade, although it is an improvement and hence capital; costs less than FRW 500,000 and is therefore allowable.

Lesson 5: Transactions in foreign currencies

a) Learning objective

Identify the transactions made for foreign currencies

b) Teaching resources

Printed or soft Income Tax Law No. 16/2018, 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

- Invite students to work in groups on Activity 6.5 found in their student book;
- Move around the class to moderate when needed and provide further explanation of any challenges they might encounter during their work
- Invite members from each group to give a presentation about their findings;
- As a teacher, bring the findings from the presentation together and lead them through an explanation of what foreign currency is.
- Use a variety of probing questions to lead them through the subject and examples in the student book;
- After this, assist the students in completing application activity 6.5 and determining whether the learning objectives were satisfied.

Answers for Activity 6.5

The currency of any foreign country which is authorized medium of circulation and the basis for record keeping in that country. Foreign currency is traded by banks either by the actual handling of currency or checks, or by establishing balances in foreign currency with banks in those countries.

What is a foreign currency transaction? This occurs when a company enters into a transaction denominated in a currency other than the company's functional currency. A company's functional currency is the currency of the primary economic environment in which the company operates.

What is a foreign currency transaction? This occurs when a company enters into a transaction denominated in a currency other than the company's functional currency. A company's functional currency is the currency of the primary economic environment in which the company operates. Certain percentage of the cost of eligible assets in addition to depreciation allowances

- e) Application activities 6.5.

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 6.5

Exchange gains and losses

Jackson will record an exchange loss of FRW 152,000 in the tax year, and this will be treated as a deductible expense.

Original liability: € 5,000 x 1,020.85 = FRW 5,104,250

Retranslated at year-end exchange rate: € 5,000 x 1,051.25 = FRW 5,256,250

Difference = Increased liability of FRW (5,104,250 - 5,256,250) = FRW 152,000 (an exchange loss)

Lesson 6: Long-term contracts and stock

- a) Learning objective

Identify long term contract and stock

- b) Teaching resources

Printed or soft Income Tax Law No. 16/2018, 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-related laws.

d) Learning activities

- Organize students into small groups;
- Invite students to work on the questions for activity 6.6 in small groups.
- Move around to help and guide students who are having difficulty with their assignment.
- Ask the group representative to share their insights with the whole class during a class discussion;
- As a teacher, harmonize different answers given by students on the activity 6.6
- Use the student book's questions and examples to lead them through the treatment of long-term contracts.
- Assess their competencies and whether the course objectives were satisfied after this phase of application activity 6.6.

Answers for activity 6.6

1. A long-term contract is a contract for manufacture, installation, construction or related services that is not completed in the tax period in which it begins.
2. According to the accrual principle, revenue is recognized when it is realized and not when it is actually received. Similarly, costs are recorded when they are incurred and not when payment is made. This assumption makes it necessary to make certain adjustments when preparing the income statement with regard to revenues and costs. However, as part of the cash accounting system, income and expenses are not recorded until they are actually received or paid. As a result, combining the cash and accrual systems is preferable to overcome each system's shortcomings

e) Application activities 6.6

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 6.6

The TRUE statements in relation to the taxation of long-term contracts and stock are:

C. 1 and 3

The tax treatment of long-term contracts generally follows GAAP and

The percentage of a contract that was completed during the year will determine the level of profit to be taxed

Lesson 7: Bad debts

a) Learning objective

Explain the bad debts

b) Teaching resources

Printed or soft Income Tax Law No. 16/2018, 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 learnt well the content of previous unit in this subject especially unit two.

d) Learning activities

- Organize students into small groups;
- Invite students to work in small groups on the questions in Activity 6.7
- Move to support and guide struggling students in their work
- Ask the group representative to share their insights with the whole class during a class discussion;
- As a teacher, harmonize the students' different responses to Activity 6.7
- Using various questions and examples from the student book, guide them to identify specifically what bad debts are, what causes bad debts, and the effects of bad debts.
 - After this step of application activity 6.7, assess their competencies and assess whether the teaching objectives have been met

Answers for Activity 6.7

- What is a bad debt?

Bad debt refers to loans or outstanding balances owed that are no longer

deemed recoverable and must be written off. This expense is a cost of doing business with customers on credit, as there is always some default risk inherent with extending credit

- Simple example of bad debt

A retailer receives 30 days to pay Company SNT after receiving the laptops. Company SNT records the amount due as "accounts receivable" on the balance sheet and records the revenue. However, as the 30-day due date passes, Company SNT realizes the retailer is not going to make the payment.

- What causes bad debts?

Bad debts are incurred when an individual has poor financial management and he is not able to pay his debt on time. In case the debtor is unwilling to pay or is no longer capable of paying the debt. This is one of the key reasons most debts become bad debts

A bad debt is a receivable that a customer will not pay. Bad debts are possible whenever credit is extended to customers. They arise when a company extends too much credit to a customer that is incapable of paying back the debt, resulting in either a delayed, reduced, or missing payment

- What are the effects of bad debts?

In most cases a bad debt occurs when you have extended credit terms to an unsuitable customer or when the customer's circumstances change. One of the most obvious consequences of experiencing a bad debt is that a business' cash flow is disrupted, resulting in lowered profitability

- Why bad debts recovered are added back to taxable profit?

Bad debts recovered are added back to taxable profit because the provisions created when the client was declared insolvent are no longer justified although the taxpayer the taxpayer has taken all possible steps in pursuing payment and has shown concrete proofs that the debtor is insolvent.

It is quite normal to add back to taxable profit this kind of income since haphazardly, the client has become capable to do business by starting paying back the debts. Failure to do so is not different from committing tax evasion by underestimating the profit.

e) Application activities 6.1.

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 6.7

Bad debts

B Deduct bad debt relief of FRW 2,700,000

The debt was written off in 2020. The expense would not have been allowed in 2020 as the debt was less than three years old at 31st December 2020. As Nancy would have been chasing the debt since 30th September 2018, three years have now passed and Nancy will be permitted to claim tax relief in the 2021 tax period.

Note: As the debt was for a value of less than FRW 3,000,000 no court insolvency decision is required for bad debt relief to be claimed.

Lesson 8: Transfer pricing

a) Learning objective

Identify the transfer pricing

b) Teaching resources

Printed or soft Income Tax Law No. 16/2018, 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 the students into small groups;
- Give clear instructions and introduce activity 6.8 by guiding the students
- In small groups, ask students to do activity 6.8 from the student book
- Ask the group representative to share their insights with the whole class during a class discussion;
- After some time has passed, select a few groups at random to present their findings to the entire class.
- During harmonization, assist students in learning about the new lesson.
- Use a variety of probing questions to lead students through the lesson and

examples in the student book.

- After this phase, instruct students on how to do the application activity 6.8, assess their competencies, and determine whether the instructional objectives were met.

Answers for Activity 6.8

Choosing a transfer pricing method is a top-down strategic decision that benefits from the use of tools and resources designed to help organizations identify the most beneficial and appropriate methods for their transfer pricing strategy. They are also used in advance of negotiating new advance pricing agreements (APAs).

e) Application activities 6.8

This activity must be done in small groups. Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Based on the performance or results, you may decide to give remedial or extension activities.

Refer to the possible answer below as you assess their work.

Answers for the application activity 6.8

Therefore;

Sales: (To country A) 1,000,000

Cost of sales 500,000

Profit 500,000

Taxed @ 35% 175,000

The business in Country A sells the widgets locally, for 4Frw each. They incur distribution costs of 1Frw each.

Therefore;

Sales (In Country A) 2,000,000

Cost of goods sold (1,000,000)

Distribution costs (500,000)

Profit 500,000

Taxed @ 15% 75,000

Therefore, total tax

In country B	175,000
In country A	75,000
Total	250,000

However, to reduce the tax liability, the company could decide to make no profit in Country B, and all the profit in Country A.

Thus, if the sales are all to their own business in Country A, the company could decide to charge their own company FRW 1 per unit. The following therefore would be the case:

Country B

Sales: (To country A)	500,000
Cost of sales	500,000
Profit	0
Taxed @ 35%	0

Country A

Sales	2,000,000
Cost of goods	(500,000)
Distribution costs	(500,000)
Profit	1,000,000
Tax @ 15%	150,000

Therefore, we can see that the overall tax liabilities are reduced from 250,000 to 150,000. This has been achieved by the simple mechanism of transferring the original profits from Country B to Country A, where there is a lower tax rate.

This in turn has been achieved by reducing the price of the goods sold into Country A. Thus, no profits are made in Country B, and all the profits are made in Country A. The pricing mechanism used between different parts of the same business is known as "transfer pricing", and as can be seen from the above examples can be used to manipulate the profits in various countries.

6.6. Summary of the unit

- Business profits are subject to income tax for both natural persons (as sole traders or partners in a partnership) and companies. A business includes a trade or a profession.
- The first FRW 12,000,000 per year of income from agriculture and livestock activities is tax-free
- Small businesses can pay income taxes based on their sales, either as a percentage of sales or as a flat tax for micro businesses. Larger companies are taxed on their profits.
- Accounting profit will be adjusted for tax purposes before being taxed.
- Assets are not deductible from business profits; instead, they are relieved by the tax depreciation.
- The tax treatment of items in the profit and loss account such as stock, long-term contracts and foreign exchange differences will generally follow GAAP; adjustment is only required if the accounts do not correctly follow GAAP.
- Transactions between related parties are taxed as if they happened on an arm's-length basis.
- Other expense items in the profit and loss account such as entertainment may not be given tax relief; profit will need to be adjusted for these.

6.7. Additional Information for Teachers

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

6.8. End unit assessment

Net profit		FRW'000
Add:	wages and salaries (sole trader personnel expenses)	15,000
	rent and rates (20% deemed private proportion)	1,000
	depreciation	1500
	bad debt - allowable as relevant conditions met	0
	entertainment expenses for customers	350
	patent royalties (no cap as not related party)	0
	legal expenses (capital)	650
	bank interest paid	0
		18,500
Less:	profit on disposal of fixed asset	36,210
		(860)
Profit adjusted for tax purposes		35,350

6.9. Additional activities

6.9.1. Remedial activities (Questions and answers)

1. A Rwandan business has turnover of FRW 3,000,000 the tax period, resulting in profit of FRW 1,300,000. Which of the following statements are TRUE?
 - i) The income tax will be calculated based on business profits unless the taxpayer elects for the flat tax regime to apply.
 - ii) If the flat tax regime is used, the income tax will be FRW 60,000
 - A. 1 is true, 2 is false
 - B. 2 is true ,1 is false
 - C. Both are true
 - D. Both are false

Answer:

- B. 2 is true, 1 is false (the default is for flat tax to apply, and the real regime is by election)
 1. Which of the following expenses would fail the general conditions for an expense to be deductible from business profits in the tax period 2021?
 - A. An accrual for an electricity bill with an invoice dated 28 December 2021, relating to the period 1st October 2021 to 31st December 2021
 - B. A provision for warranties calculated as a percentage of all sales

- C. Rent paid in the year on business premises
- D. Contractual bonuses for sales staff accrued at the year end

Answer:

B. A provision for warranties calculated as a percentage of all sales (it would fail the general condition of being a real expense incurred able to be substantiated with a document or receipt)

6.9.2. Consolidation activities (Questions and answers)

1. Mr. John Kubwayo runs a snack shop in Kigali town. He submitted his return of income for 2006 showing losses of FRW 64,000. In support of this figure, the following receipts and expenditure account and information were submitted:

<u>Income:</u>	<u>FRW</u>
Sale of snacks	340,000
Sale of old furniture	30,000
Roto Rotary winnings	<u>10,000</u>
	380,000

Expenses:

Purchase of snacks	265,000
Electricity	20,000
PAYE/Social Security	4,000
Wages for staff	60,000
Salary to wife	10,000
Rent	50,000
Insurance	10,000
Fuel expenses	<u>25,000</u>
Loss	<u>444,000</u>

Additional information

- The family lives in the flat above the business premises; the rent is apportioned 3/5 flat and 2/5 for the shop.
- The insurance includes premiums amounting to FRW 4,000 in respect

of Mr. John life insurance policy.

- It is estimated that Mr. John's personal use of the car is about 40% of the total mileage; the fuel for the car was included as part of business expenses.
- Mr. John has not yet paid rent for December 2021 amounting to 2,000 and snacks for the shop amounting to 5,000.

Required

Calculate the adjusted profit/loss for the year of income tax purposes.

1. The following expenses appeared in the profit and loss account of Mr. Mugisha who is running a business as a sole proprietor for the year of income 2018.

	<u>FRW</u>
Electricity and water	40,000
Salaries and wages	200,000
Income tax paid	24,000
Repairs and replacement	50,000
Legal expenses	12,000
Bad and doubtful debts	15,000
General expenses	4,000
Postage and telephone	8,000
Rent	12,000

The following further information was also given:

- a) Bad debts included a general provision of FRW 6,000
- b) Analysis of repairs and replacement:

Repair of business premises	15,000
Repair of machines	10,000
Painting the business	10,000
Purchase of new machine	<u>15,000</u>
	<u>50,000</u>

- c) Rent comprises of 4,000 for Mr. Mugisha's security guard who lives in a servant quarter adjacent to the office.
- d) Analysis of legal expenses

Bad debts collection	8,000
Parking fines	<u>4,000</u>
	12,000

e) General expenses include:

Donations	3,000
Audit fees	<u>1,000</u>
	4,000

Required

From the above information, classify the expenses under:-

- i) Deductions allowed
- ii) Deductions not allowed

Solution

Q1.

Computation of Adjusted Profit

	<u>FRW</u>
Profit as per receipts and expenditure a/c	(64,000)
Add back deductions not allowable	<u>FRW</u>
Salary to wife W1	10,000
Rent- Flat W2	30,000
Insurance- Personal W3	4,000
Fuel-personal W4	10,000
	<u>54,000</u>

Less deductions allowed but not paid

Accrued rent	2,000
Accrued snacks purchases	5,000
	<u>(7,000)</u>

(17,000)

Less income exempted/not business income

Sale of furniture	30,000
Roto winnings	<u>10,000</u> (40,000)
Taxable income	<u>(57,000)</u>

Q2.

i) Deductions allowed

	<u>FRW</u>
Electricity and water	40,000
Salaries and wages	200,000
Repairs and replacement	35,000
Legal expenses	8,000
Bad and doubtful debts	9,000
General expenses	1,000
Postage and telephone	8,000
Rent	8,000

ii) Deductions not allowed

	<u>FRW</u>
Income tax paid	24,000
Repairs and replacement	15,000
Legal expenses	4,000
Bad and doubtful debts	6,000
General expenses	3,000
Rent	4,000

6.9.3. Extended activities (Questions and answers)

1.

- Two registered taxpayers
 - Kasongo

- ABC Ltd
- Kasongo is an individual business
- ABC Ltd has 2 shareholders:
- Kasongo
- Byuma
- 50 % of shares each
- EDR (Effective date of registration) for the two taxpayers: November 1st, year 1
- At the end of year 1, haphazardly both businesses made a profit of FRW 1,750,400 each
- ABC Ltd decides to reinvest 25 % of its profit and to give dividend to shareholders for the rest;

Task:

- Income tax for Kasongo and ABC Ltd for year 1
- Pre-payment for 1st quarter of year 2 for Kasongo and ABC Ltd
- Dividend for the shareholders of ABC Ltd.

Solution

EDR	1st Nov year 1
Gross profit	1 750 400
Nearest thousands	1 750 000

Income tax calculation

PIT	Base	Tax
From 0 to 360,000 : 0%	360 000	0
From 360,001 to 1,200,000 : 20%	840 000	168 000
From 1,200,001 to 1,750,000 : 30%	<u>550 000</u>	165 000
Income tax for Kasongo is	1 750 000	333 000

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Income tax for ABC Ltd (30% of 1 750 000)	525 000
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First pre-payment for year 2

For Kasongo (Year 1 tax x $\frac{1212}{22} \times 25\%$)	499 500
For ABC Ltd (Year 1 tax x $\frac{1212}{22} \times 25\%$)	787 500

Calculation of dividend	
Remember gross profit of ABC Ltd is	1 750 400
Tax paid	<u>787 500</u>
Net profit	962 900
25% for reinvestment	<u>240 725</u>
Amount subject to dividend	722 175
 For Kasongo	
50% of amount subject to dividend	361 088
WHT of 15%	<u>54 163</u>
Dividend to be collected by Kasongo	306 924
 For Byuma (the same as Kasongo)	
50% of amount subject to dividend	361 088
WHT of 15%	<u>54 163</u>
Dividend to be collected by Kasongo	306 924

UNIT 7

ESTABLISH PAYROLL REQUIREMENTS AND PAYROLL PREPARATION

7.1. Key unit competence: To be able to prepare of payroll according to organizational policy

7.2. 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, senior 4 accounting in unit 3 on taxation of employment income So, with this prior knowledge, skills, attitudes and values it should help them to prepare of payroll according to organizational policy.

7.3. 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 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 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 customs procedures 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.

7.4. 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 challenges of paying staff salaries on time, secondly complains on discrepancies of wrong computation, wrong deduction, missing allowances are often raised by staff. 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 to 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)

1. Payroll
2. Gross salary is the amount of money employees receive before any tax deduction or taken out.

Net salary is the amount of money employees receive after all deductions.

7.5. List of lessons/sub-heading

Nº	Lesson title/ Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Employment contract	Identify the scope of payroll services according to organization policies and procedures	4
2	Valid contract requirements and general working conditions	Identify valid contact requirements and general working condition	4
3	Leaves	Explain types of leave according to the current labour law	4
4	Payroll process	Identify relevant documents required to produce payroll and importance of payroll	4
5	Payroll system and Elements of payroll	Identify the payroll system and the elements of payroll	4
6	Salary computation and the payment methods of payroll	Explain the payroll requirement data to calculate, the payment methods of payroll according to legislative requirements	4
End Unit Assessment			3
Total number of periods			30

Lesson 1: Employment contract

a) Learning objective

Identify the scope of payroll services according to organization policies and procedures.

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 7.1

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 7.1

A contract is a legal bond between two or more persons that gives rights to one or some of them to impose or to claim something. It is an agreement between two or more persons by which they commit to do, to give or to do not do something.

Legally saying the object is something that parties are committing to do within their contract when the purpose refers to reason why they are committing to do such thing.

e) Application activities 7.1

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 7.1

1. Types of employment contract

a) Permanent employment contact

Permanent employment contracts apply to employees who work regular hours and are paid a salary or hourly rate. The contracts are on going until terminated by either the employer or employee and may be for full or part time work.

Employees on these contracts are entitled to the full range of statutory employment rights.

b) Fixed-term contracts

Fixed-term contracts give a set end date, for example six months or one year.

c) Casual employment contracts

2. Duration of probation period

The probation period cannot exceed three (3) months.

However, after the written evaluation of the employee's performance has been notified to the employee, the employer can for valid reasons related to the nature of work, employee's performance and conduct, decides that an employee retakes the probation for a period not exceeding three (3) months.

If the probation period comes to an end and proves to be conclusive, the employee is immediately offered employment and notified in writing by the employer.

Lesson 2: Valid contract requirements and general working conditions

a) Learning objective

Identify valid contact requirements and general working condition

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 for this unit students covered the employment contract. That will help to identify valid contract requirements and general working condition learnt in this lesson.

d) Learning activities

Activity 7.2

- Put students in small groups and give clear instructions 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 identify valid contact requirements and general working condition

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

Answer to Activity 7.2

1. Parties of contract are persons who can sign the contract. For a contract to be considered valid, it should include three parties. These are; Offeror who makes an offer, Offeree to whom an offer is made and Witness who sees an event happening.

2. Obligations of an employer

Subject to collective convention, rules of procedure or employment contract, the employer has the following main duties:

- to provide an employee with an employment contract and its copy
- to give the employee the agreed work at the time and place as agreed upon;
- to supervise the employee and ensure that the work is done in suitable working conditions, as far as security and health in the workplace are concerned;
- to pay the employee the agreed salary on time;
- to avoid whatever can hamper the company's life and safety, its

employees and the environment

- to affiliate and contribute for an employee to the social security organ in Rwanda;
- to discuss with the employees or their representatives on matters relating to work;
- to provide employees with professional training and continue upgrading their capacity;
- to provide an employee with working equipment;
- to notify the labour inspector work-related accident or death of an employee

e) Application activities 7.2

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 7.2

1. Obligations of parties

Obligations of the employer

Subject to collective convention, rules of procedure or employment contract, the employer has the following main duties:

- to provide an employee with an employment contract and its copy
- to give the employee the agreed work at the time and place as agreed upon;
- to supervise the employee and ensure that the work is done in suitable working conditions, as far as security and health in the workplace are concerned;
- to pay the employee the agreed salary on time;
- to avoid whatever can hamper the company's life and safety, its employees and the environment
- to affiliate and contribute for an employee to the social security organ in Rwanda;

- to discuss with the employees or their representatives on matters relating to work;
- to provide employees with professional training and continue upgrading their capacity;
- to provide an employee with working equipment;
- to notify the labour inspector work-related accident or death of an employee

Obligations of an employee

An employee has the following main obligations:

- to personally carry out his/her work or service on time and achieve performance;
- to respect the employer's or his/her representative's instructions;
- to abstain from an act that would threaten his/her security and that of his/her colleagues or that of his/her workplace;
- to keep in good conditions tools given to him/her by the employer;
- to report at work on time;
- to protect the interests of the work.

2. Working hours

The maximum working hours are forty-five (45) hours a week. However, an employee can work extra hours upon the agreement with his/her employer.

The daily timetable for work hours and break for an employee is determined by the employer. The daily rest granted by the employer to the employee is not counted as work hours.

An Order of the Minister in charge of labour determines modalities for the implementation of working hours a week.

Lesson 3: Leaves

a) Learning objective

Explain types of leave according to the current labour law

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 7.3

- 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 to Explain types of leave according to the current labour law Answers or address any questions or challenges about the activity.
- Guide them to make notes in referring in their students' book.

Answer to Activity 7.3

Types of leave are:

- Annual leave;
- Incidental leave;
- Maternity leave;
- Sick leave;
- Public holiday;
- Authorised absence.

- e) Application activities 7.3

This activity can be given as a normal individual or group activity, where students prepare payroll according to organizational policy, explain types of leaves according to the current labour law.

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 7.3

Q1:

- Seven (7) working days in case of death of his or her spouse.
- Five (5) working days in case of death of his or her child or adoptive child.
- Four (4) working days in case of death of his or her father, mother, father-in law or mother-in-law.
- Four (4) working days in case of delivery of his wife.

Q2:

- Jan 01: new year day
- Feb 02: heroes' day

Lesson 4: Payroll process

a) Learning objective

Identify relevant documents required to produce payroll and importance of payroll

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 7.4

- Put students in small groups and give clear instructions about the activity
- Ask them to observe the pictures in student book and answer the questions provided in the activity
- Guide students' discussions 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 identify relevant documents required to produce payroll and importance of payroll. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 7.4

Q1:

Payroll is a list of all employees showing the details of their gross wages, deductions and net wages due to them. It is also known as wage sheet.

Q2:

- Employee clock card
 - List of employee incomes and family information
- e) Application activities 7.4

This activity can be given as a normal individual or group activity, where students discuss payroll process. 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 7.4

Q1:

Payroll is a list of company's employees showing the amount of money they are to be paid.

Q2:

The main difference between salary and wage is that salaries are a fixed upon

payment agreed to by both the employer and employee. Wages, on the other hand, may vary depending on hours worked and performance

The essential difference between a salary and wages is that a salaried person is paid a fixed amount per pay period and a wage earner is paid by the hour. Someone who is paid a salary is paid a fixed amount in each pay period, with the total of these fixed payments over a full year summing to the amount of the salary. There is no linkage between the amount paid and the number of hours worked.

The person receiving a salary is not paid a smaller amount for working fewer hours, nor is he paid more for working overtime.

Someone who is paid wages receives a pay rate per hour, multiplied by the number of hours worked.

Lesson 5: Payroll system and Elements of payroll

a) Learning objective

Identify the payroll system and the elements of payroll

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 unit 3 taxation of employment income, lesson 4 and lesson 5 studied to explain different categories of employees, demonstrate RSSB contributions of employee/employer and reliefs for employment income . That will help to identify the payroll system and the elements of payroll discussed in lesson 5.

d) Learning activities

Activity 7.5

- Put students in small groups and give clear instruction about the activity
- Ask them to read the case study 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 to discover the payroll system and the elements of payroll.
- Answers or address any questions or challenges about the activity.
- Guide them to make notes in referring in their students' book.

Answers to activity 7.5

Q 1:

Names of employee, basic salary, allowances, deductions, Pay as you earn (PAYE), and gross pay and net wage, Q 2:

Payroll system:

- a) Manual payroll
- b) Computerized payroll
- c) Application activities 7.5

Manual payroll system means that accounting systems allow you to process all your normal payroll tasks by hand. Computerized payroll accounting systems allow you to process all your normal payroll tasks using a software.

This activity can be given as a normal individual or group activity, where students identify the payroll system and the elements of payroll. 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 7.5

Q 1:

Pension base = Basic salary + all allowances and benefits except transport

- Pension base = FRW 57,000 + FRW 3,000 = FRW 60,000

The compulsory pension contributions include:

- Contribution of the employee Innocent through Amahoro (the employer) = FRW 60,000 * 3% = FRW 1,800
- Contribution of the employer = FRW 60,000 * 5% = FRW 3,000
- The maternity leaves contributions include:

- FRW 60,000 * 0.3% = FRW 180 withheld on behalf of Innocent by Amahoro
- FRW 60,000 * 0.3% = FRW 180 paid by Amahoro

In total, Amahoro pays RSSB contributions of FRW 5,160 = 1,800 + 3000 + 180 + 180

In summary, Amahoro withholds FRW1,980 from Innocent gross salary and pays it to RSSB. Besides, Amahoro pays directly FRW3,180.

Q 2: Allowance is a sum of money granted as a reimbursement for expenses a salary that includes a cost-of-living allowance especially. It can also be a sum regularly provided for personal or household expenses. E.g., Each child receives a weekly allowance.

Examples:

- Transport,
- Accommodation,
- Communication,
- Recreation.

Q3.

- a) P.A.Y.E: Pay As you Earn
- b) R.S.S.B: Rwanda Social Security Board.

Lesson 6: Salary computation and the payment methods of payroll

a) Learning objective

Explain the payroll requirement data to calculate, the payment methods of payroll according to legislative requirements

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 unit 3 taxation of employment income, lesson 4 and lesson 5 students covered different categories of employees, RSSB contributions of employee/

employer and reliefs for employment income. In this unit, lesson 5, payroll system and elements of payroll were discussed. This will help students to explain the payroll requirement data to calculate, the payment methods of payroll according to legislative requirements as developed in this lesson.

d) Learning activities

Activity 7.6

- Put students in small groups and give clear instruction about the activity
- Ask them to read the case study 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 explaining the payroll requirement data to calculate, the payment methods of payroll according to legislative requirements Answer or address any questions or challenges about the activity.
- Guide them to make notes in referring in their students' book.

Answers to activity 7.6

Q 1: RSSB contribution rates

The pension scheme totals a rate of 8%. This is made up of 3% withheld from the employee and 5% paid by the employer including payments to the Occupational Hazards Scheme. This is charged on all employment income except for transport allowances and transport benefits in kind

- The maternity leave scheme totals a rate of 0.6%. This is made up of 0.3% withheld from the employee and 0.3% paid by the employer. This is charged on all employment income except for transport allowances and transport benefits in kind.
- The medical scheme totals a rate of 15%. This is made up of 7.5% withheld from the employee and 7.5% paid by the employer. This is charged on the 'Basic Salary'.

Q 2: Payment methods

- Check
- Electronic means
- Payment order

Q 3: Payrolls functions

- Calculation of the wages due to each employee, according to their contracted payment basis.
- Calculation of bonuses
- Calculation of deductions according to the specific work done by the employee during the period
- Calculation of taxes, social insurance and other pay-related obligations.
- Determination of take-home amount (net salary)

e) Application activities 7.6

This activity can be given as a normal individual or group activity, where students explain the payroll requirement data to calculate, the payment methods of payroll according to legislative requirements.

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 7.6

Q 1:

- RSSB: Rwanda Social Security Board
- PAYE: Pay As You Earn
- RRA: Rwanda Revenue Authority

Q 2:

a) The gross salary paid by Mugisha to Munezero at the end of one month = basic salary + transport allowance + housing allowance = FRW 35,000 + FRW 5,000 + FRW 8,000 = FRW 48,000

b) Net salary computation

- PAYE = (FRW 48,000 - FRW 30,000) 20% = FRW 3,600
- Pension participation paid by employee = (Gross salary - transport allowance) 3% = (FRW 48,000 - FRW 5,000) 3% = FRW 1290

- Contribution for maternity leave = (FRW 48, 000 - FRW 5,000)
0.3% = FRW 129
- The net salary received by Munezero at the end of every month
=Gross Salary –(PAYE + RSSB pension of 3% + Maternity Leave
of 0.3%) = FRW 48,000 - FRW 3,600 - FRW 1290 - FRW 129 =
FRW 42,981

Q 3:

Payroll is a list of all employees showing the details of their basic salary, allowances, gross salary, deductions and net salary due to each of them.

The details of a payroll are:

- Names and address of employer
- Names of employee
- Job title
- Rate of salary whether daily, weekly or monthly
- Basic salary
- Gross salary
- Deductions
- Net salary.

Skills lab activity 4

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 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 fellows
- iii) Conclusion

The teacher emphasizes on the objective of the visit reminding students that they have to follow those steps in preparing and paying payroll accordingly.

The following are key areas for reference:

- Payroll process
- Preparation of payroll
- Payment methods of payroll prepared

7.6. Summary of the unit

1. Employment contract

Employment contract is an agreement between an employer and an employee whereby an employee undertakes to work under the authority of the employer in return for remuneration.

2. Valid contract requirements and general working conditions

Elements of a valid contract are of the following:

- Intention to be bound by the contract
- Offer and acceptance
- Consideration/price
- Capacity of the parties
- Free Consent
- Legality/lawful object
- Possibility of performance
- Certainty

3. Leaves

Types of leave are:

- Annual leave;
- Incidental leave;
- Maternity leave;
- Sick leave;
- Public holiday;
- Authorised absence.

4. Payroll process

Payroll is a list of all employees showing the details of their gross salary, deductions and net salary due to them.

The employer gives the employee an individual monthly pay slip which details the basic salary, other various allowances and bonuses, withholdings and the net salary on employee's request.

5. Payroll system and Elements of payroll

○ Payroll system

- Manual payroll
- Computerized payroll

○ Elements of payroll

- Serial number
- Name of employee
- Account number
- Basic salary
- Allowances
- Gross salary
- Deductions
- Net salary

6. Salary computation and the payment methods of payroll

a) Salary computation

o Calculation of gross salary

Gross salary is the amount of money employees receive before any tax deduction or taken out.

Gross salary=Basic salary + accommodation allowance + transport allowance + communication allowances

o Calculation of deduction

- ✓ For PAYE, Rwanda labor law should be enforced by applying Personal Income Tax (PIT) formula on monthly basis using the following tax bands:

FRW0-30,000: 0%

FRW 30,001-100,000: 20%

FRW >100,000: 30%

- ✓ Rwanda Social Security Board (RSSB)

o What are the rates of the Pension Scheme?

The Pension Scheme totals a rate of 8%. This is made up of 3% withheld from the employee and 5% paid by the employer including payments to the occupational hazards scheme. This is charged on all employment income except for transport allowances and transport benefits in kind.

- What are the rates of the maternity leave scheme?

The Maternity Leave scheme totals a rate of 0.6%. This is made up of 0.3% withheld from the employee and 0.3% paid by the employer. This is charged on all employment income except for transport allowances and transport benefits in kind.

- What are the rates of the medical scheme?

The Medical Scheme totals a rate of 15%. This is made up of 7.5% withheld from the employee and 7.5% paid by the employer. This is charged on the 'Basic salary'.

- Calculation of net salary

Net salary= Gross salary - Deductions

a) Methods of payroll payment

- Cash payment

- Mobile money
- Cheque
- Electronic transfer

7.7. Additional information for teachers

- ✓ Payment of salary in case of insolvency

In case of insolvency of the employer, an employee is paid his/her salary in accordance with relevant Laws.

- ✓ Seizure and assignment of salary

An employer cannot seize the employee's salary, except for circumstances provided for by this Law.

Except for compulsory deductions and other possible charges in accordance with the provisions of employment contract, an employer seizes employee's salary in case of forced execution of court judgement or in case of voluntary transfer.

- ✓ Prescription of salary payment

Salary which is not paid in two (2) years from the date the employee is entitled to it, cannot be claimed. However, the prescription period referred to above, is interrupted by one of the following reasons:

- ❖ The employer starts calculating all amounts agreed with the employee as the debt owed;
- ❖ The case is submitted to employees' representatives in an enterprise that has them;
- ❖ The labour inspectorate has been requested to settle the dispute amicably and has not given its conclusions yet;
- ❖ The employee's case is pending before the court.

7.8. End unit assessment (answers)

Q 1:

Basic salary: FRW500,000

Housing benefit: FRW $500,000 \times 20/100 =$ FRW 100,000

Transport benefit: FRW $500,000 \times 10/100 =$ 50,000 RWF

Gross salary/ taxable income: basic salary +allowances

Gross salary= FRW 500,000+ FRW 150000

Gross salary= FRW 650000

PAYE:

0-30,000:0% = FRW $30000 * 0 / 100 = 0$

30,001-100000:20% = FRW $70000 * 20 / 100 = \text{FRW } 14000$

100001 and above: FRW $550000 * 30 / 100 = \text{FRW } 165000$

Total PAYE=0+ FRW 14000+ FRW 165000

Total PAYE= FRW 179000

Q 2: payroll

MRK ltd COMPANY

Jenda sector
Nyabihu
District
Western Province

P.O Box 1123 Gisenyi

TEL; +250788888888-72222222

Pay period: June 2021

Bank:GJ

Payroll

S.NO	NAMES	Account number	Basic salary	Allowances		Gross salary	Deductions				total deductions	Net salary	CBHI	Balance due				
				Accommodation	Transport		P.A.Y.E	RSSB Pension		RSSB Maternity								
								5%	3%	0.3%	0.3%							
001	MAHORO	32	276,000	55200	27600	358,800	91640	16560	9936	993.6	993.6	102569.6	256,230	1281.152	254,949			
002	UMUHOZA	123	235,000	47000	23500	305,500	75650	14100	8460	846	846	84956	220,544	1102.72	219,441			
S No	Name	A/C No	Basic sal	Allowances		Gross sal	Deductions				Total deduction	Net sal	CBHI	Bal due				
				Accommodation	Transport		P.A.Y.E	RSSB Pension		RSSB Maternity								
003	KAGABO	309	400,000	80000	40000	520,000	140000	24000	14400	1440	1440	155840	364,160	1820.8	362,339			
004	KARAGIRE	406	260,000	52000	26000	338,000	85400	15600	9360	936	936	95696	242,304	1211.52	241,092			
Total			1,171,000	234200	117100	1,522,300	392690	70260	42156	4215.6	4215.6	439061.6	1,083,238	5416.192	1,077,822			

Prepared by.....

Cheched by.....

Approved by.....

Workings of MRK Ltd company payroll

Working for calculation of Gross salary				
MAHORO	=		basic salary	FRW276000
		Add	accommodation allowance	FRW 55200
		Add	transport allowance	FRW 27600
			Gross salary	FRW358800
UMUHOZA	=		Basic salary	FRW235000
		Add	accommodation allowance	FRW 47000
		Add	transport allowance	FRW 23500
			Gross salary	FRW305500
KAGABO	=		basic salary	FRW400000
		add	accommodation allowance	FRW80000
		add	transport allowance	FRW40000
			Gross salary	FRW520000
Working for calculation of Pay as you earn (PAYE)				
MAHORO	1 st Step	30000	X 0%	FRW0
	2 nd step	100000-30000=70000X20%		FRW14000
	3 rd step	358800-100000=258800x30%		FRW77640
				FRW91640
UMUHOZA	1 st Step	30000	X 0%	FRW0
	2 nd step	100000-30000=70000X20%		FRW14000
	3 rd step	305500-100000=205500x30%		FRW61650
				FRW75650
KAGABO	1 st Step	30000	X 0%	FRW0
	2 nd step	100000-30000=70000X20%		FRW14000
	3 rd step	520000-100000=420000x30%		FRW126000
				FRW140000
Working for Calculation of RSSB Pension				

MAHORO	Employer (Gross salary-transport allowance) *5%			(358800-27600)
	Employee (Gross salary-transport allowance) *3%			*5% (358800-27600) *3%
UMUHOZA	Employer (Gross salary-transport allowance) *5%			(305500-23500)
	Employee (Gross salary-transport allowance) *3%			*5% (305500-23500) *3%
KAGABO	Employer (Gross salary-transport allowance) *5%			(520000-40000)
	Employee (Gross salary-transport allowance) *3%			*5% (520000-40000) *3%
Working for Calculation of RSSB Maternity				
MAHORO	Employer (Gross salary-transport allowance) *0.3%			(358800-27600)
	Employee (Gross salary-transport allowance) *0.3%			*5% (358800-27600) *3%
UMUHOZA	Employer (Gross salary-transport allowance) *0.3%			(305500-23500)
	Employee (Gross salary-transport allowance) *0.3%			*5% (305500-23500) *3%
KAGABO	Employer (Gross salary-transport allowance) *0.3%			(520000-40000)
	Employee (Gross salary-transport allowance) *0.3%			*5% (520000-40000) *3%
Working for Calculation of Total deduction				
MAHORO				
		PAYE		FRW91640
	Add	RSSB Pension		FRW9936
	Add	RSSB Maternity		FRW993.6
		Total		FRW102569.6

UMUHOZA				
		PAYE		FRW75650
	Add	RSSB Pension		FRW8460
	Add	RSSB Maternity		FRW846
		Total		FRW84956
KAGABO				
		PAYE		FRW140000
	Add	RSSB Pension		FRW14400
	Add	RSSB Maternity		FRW1440
		Total		FRW155840
Working for Calculation of Net salary				
MAHORO	Net salary=Gross Salary-Total deduction			
	FRW358800			
LESS	FRW102569.6			
	FRW256230.4			
UMUHOZA	Net salary=Gross Salary-Total deduction			
	FRW305500			
Less	FRW84956			
	FRW220544			
KAGABO	Net salary=Gross Salary-Total deduction			
	FRW520000			
	-FRW155840			
	FRW364160			
Working for Calculation of CBHI				
MAHORO	Net salary	FRW256230		
	*	0.5%		
		FRW1281.15		
UMUHOZA	Net salary	FRW220544		
	*	0.5%		
		FRW1102.72		

KAGABO	Net salary	FRW364160		
	*	0.5%		
		FRW1820.8		
Working for calculation of balance due				
MAHORO	Net salary	FRW256230		
Less	CBHI	FRW1281.15		
		FRW254948.85		
UMUHOZA		FRW220544		
	Less	FRW1102.72		
		FRW219441.28		
KAGABO		FRW364160		
	Less	FRW1820.8		

7.9. Additional activities (Questions and answers)

7.9.1. Remedial activities

Q1. What is a payroll

Q2. Define the term deduction

Q3. Differentiate gross salary from net salary

Q4. Aline receives monthly basic salary amounting FRW 100 000, Aline is also allowed a car and an accommodation by the company

Required:

- a) Who pays the P.A.Y.E to RRA?
- b) Compute her contribution for RSSB pension and occupation hazard
- c) Determine the amount paid at RRA.
- d) Determine her net salary.

Q5. What are the benefits offered by RSSB?

Answers

Q1. Payroll is a list of company's employees and their related details of amount they are to be paid.

Q2. An amount that to be deducted from taxable income so as to compute the tax base.

Q3. Gross salary is the amount received by an employee without any deductions while the net salary is the amount that an individual receives after all deductions have been taken out.

Q4. The P.A.Y.E is paid by Aline through her employer

Basic salary =FRW 100,000

Transport allowance =FRW 100,000*10% =FRW 10,000

Accommodation allowance = FRW 100,000*20% =FRW 20,000

Gross salary = FRW 100,000 +FRW 10,000 +FRW 20,000=FRW 130,000

Contribution to the RSSB Pension employer withhold Aline = (FRW130,000 -FRW10,000) ×3% =FRW 3,600

Contribution of RSSB pension and occupation hazard employer paid for her contribution == (FRW130,000 -FRW10,000) ×5% =FRW 6,000

c) Tax to be paid to the tax authority

$$(\text{FRW } 100,000 - \text{FRW } 30,000) * 20\% = \text{FRW } 70,000 * 20\% = \text{FRW } 14,000$$

$$(\text{FRW } 130,000 - \text{FRW } 100,000) * 20\% = \text{FRW } 30,000 * 30\% = \text{FRW } 9,000$$

$$\text{Total P.A.Y.E} = \text{FRW } 14,000 + \text{FRW } 9,000 = \text{FRW } 23,000$$

$$\text{d) Net salary} = \text{FRW } 130,000 - (\text{FRW } 23,000 + \text{FRW } 3,600) = \text{FRW } 103,400$$

Q5.

- Old age
- Survivorship
- Work injury
- Work-related disease
- Health insurance

7.9.2. Consolidation activities

Q1. Kanziga is entrepreneur. Her small business is located in HUYE District. She employs one employee called Baziga. At the end of every month, she pays him a basic salary of FRW 35,000, a transport allowance of FRW 5,000, and a housing allowance of FRW 8,000. As a student of level three accounting, calculate:

- a) The gross salary paid by Kanziga to Baziga at the end of one month
- b) The net salary received by Baziga after paying compulsory deductions (PAYE, Pension, and Maternity leave only).

Answer

Q1.

- The gross salary paid by Kanziga to Baziga at the end of one month = basic salary + transport allowance + housing allowance = FRW 35,000 + FRW 5,000 + FRW 8,000 = FRW 48,000
- PAYE = (FRW 48,000 - FRW 30,000) 20% = FRW 3,600
- PENSION participation paid by employee = (gross salary - transport allowance) 3% = (FRW 48,000 - FRW 5,000) 3% = FRW 1290
- Contribution for Maternity leave = (FRW 48,000 - FRW 5,000) 0.3% = FRW 129
- The net salary received by Baziga at the end of every month = GS - (PAYE + RSSB Pension OF 3% + ML OF 0.3%) = FRW 48,000 - FRW 3,600 - FRW 1290 - FRW 129 = FRW 42,981

7.9.3 Extended activities

Question:

RUHIRE co ltd has employed 6 workers as follows: Thomas worked 37 hour per week, Paul, Aimé and John, they worked 40 hour per week for each. Louis and Peter worked 44 hour per week, and the rate per hour is FRW 720. Every worker received money for accommodation as follow: Thomas FRW 8,000, Paul, Aimé and John received FRW 10,000 for each while Peter and Louis received FRW 12,000 for each.

They received also money for transport respectively: Thomas FRW 12000, Paul, Aimé and John FRW 14000 for each, Louis and Peter received FRW 15000 for each. Each worker received also FRW 10000 for communication. Paul, Louis, Aimé and Tomas received FRW 8000 for overtime pay for each. Thomas and Peter received advance of FRW 50000 before the end of the month.

As accountant of RUHIRE co ltd, prepare a payroll of those workers, at the end of March 2022.

Additional information

- Every worker must pay RAMA
- Pension and maternity must be paid by taking gross salary minus transport.
- Employer must withhold CBHI to the employees according to Rwandan labour law
- PAYE is deducted according to Rwandan labour law
- Use your name as accountant of RUHIRE co ltd
- Manager of RUHIRE co ltd is BAZAMBANZA Athanase

: payroll

Co Itd																									
Names	hrs	Rate	Basic salary	Acc. all	over-time pay	Co. all	Tran. all	Gross salary	Deductions							Tot. dedu	Net sal	CBHI	Advance	Ba					
									PAYE	RSSB Pension			RSSB Maternity		RSSB medical										
										5%	3%	0.3%	0.3%	7.5%	7.5%										
homas	37	720	26640	8000	8000	10000	12000	64640	6928	2632	1579.2	157.92	157.92	1998	1998	10663.12	53976.88	269.9	50000	3,'					
'aul	40	720	28800	10000	8000	10000	14000	70800	8160	2840	1704	170.4	170.4	2160	2160	12194.4	58605.6	293		5€					
Jime	40	720	28800	10000	8000	10000	14000	70800	8160	2840	1704	170.4	170.4	2160	2160	12194.4	58605.6	293		5€					
ohn	40	720	28800	10000		10000	14000	62800	6560	2440	1464	146.4	146.4	2160	2160	10330.4	52469.6	262.3		52					
Names	hrs	rate	Basic salary	Acc. all	over-time pay	Co. all	Tran. all	Gross salary	Deductions							Tot. dedu	Net sal	CBHI	Advance	Ba					
									PAYE	RSSB Pension			RSSB Maternity		RSSB medical										
										5%	3%	0.3%	0.3%	7.5%	7.5%										
ouis	44	720	31680	12000	8000	10000	15000	76680	9336	3084	1850.4	185.04	185.04	2376	2376	13747.44	62932.56	314.7		62					
'eter	44	720	31680	12000		10000	15000	68680	7736	2684	1610.4	161.04	161.04	2376	2376	11883.44	56796.56	284	50000	6,'					
			176400	62000	32000	60000	84000	414400	46880	16520	9912	991.2	991.2	13230	13230	71013.2	343386.8	1717	100000	24					

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UNIT 8

RETIREMENT, OCCUPATION HAZARD BENEFIT AND DISMISSAL COMPENSATION

8.1. Key unit competence: Ability to compute retirement, occupation hazard benefits and dismissal compensation

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

Students were introduced in senior 4 (unit 3) to the Taxation of employment income. So, with this prior knowledge, skills, attitudes and values it should help them to compute retirement, occupation hazard benefits and dismissal compensation

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 customs 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 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 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 customs procedures 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.

8.4. Guidance on introductory activity

This introductory activity is intended to:

1. Provide interest and motivation to the students about computation of retirement, occupation hazard benefits and dismissal compensation.
2. Focus students' attention on meaning, purpose of retirement, occupation hazard benefits and dismissal compensation.
3. Convince students about what they will benefit from the unit.
4. Build on previous knowledge, skills, values, and attitudes to help the teacher to assess the students' prior knowledge and help to link with the new content.
5. The new content can help to arouse students' interest about what to expect in the new content. That can be answered in one lesson.
6. Gradually, over a period as the unit progresses. At this point, there is no right or wrong answers as students will gradually get more appropriate answers progressively as they go through the unit.

Use an appropriate method such as small groups or pairs and provide students with Unit 8 introductory activity, give clear instructions to the activity. They read a scenario about RSSB, discuss about what could be done by RSSB to be certain on information provided taking into consideration that the branches currently managed by Rwanda Social Security Board that could be very difficult to find and advise her on what to do in order to compute retirement, occupation hazard benefits and dismissal compensation.

During grouping or pairing, mix boys and girls and students with different abilities.

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

Harmonize their findings or answers, and help them draw conclusions/summary to questions. Answer or address any questions or challenges about the activity. Guide them to make notes in their books referring to students' book.

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. Rwanda Social Security Board (RSSB) was established by the law No.45/2010 of 14/12/2010 that determines its mission, organization and functioning. This institution was established after the merger of Social Security Fund of Rwanda (SSFR) with La Rwandaise d'Assurance Maladies (RAMA). The above Law was modified and completed by the law No 04/2015 of 11/03/2015 and gave RSSB the responsibility to manage Community Based Health Insurance (CBHI). The mandate of the institution is to administer social security in the country.
2. The branches currently managed by RSSB: Pensions, occupational hazard insurance, medical insurance, Community-Based Health Insurance (CBHI) and maternity leave benefits insurance.

8.5. List of lessons/sub-heading

Nº	Lesson title/Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Introduction to RSSB	Identify the introduction to Rwanda Social Security Board (RSSB)	4
2	Pension scheme	Identify benefits and conditions of pension scheme	4
3	Retirement benefit calculations	Demonstrate the computation and Survivors' benefit of retirement benefit	4

4	occupation hazard computations	Demonstrate the computation of occupation hazard benefit	4
5	Dismissal compensation (terminal benefits)	Compute the dismissal compensation(terminal benefits)	4
	End Unit Assessment		3
	Total number of periods		23

Lesson 1: Introduction to RSSB

a) Learning objective

Identify the introduction to Rwanda Social Security Board (RSSB)

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 there 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

RSSB is expected to manage and promote pension, medical insurance, occupational hazards insurance, maternity leave insurance, contributions before retirement and other necessary schemes. Its main responsibilities are:

- To register employers, employees, beneficiaries and self-insured persons in various schemes managed by RSSB;
- To collect and manage contributions as provided by laws;
- To receive and manage donations;
- To pay benefits for or to beneficiaries;
- To make investments in accordance with laws;
- To contribute to the elaboration of social security policy;
- To advise the Government on matters relating to social security;
- To establish relations and collaborate with other regional or international institutions with similar mission.
- To continue providing medical care for retirees who have monthly pension benefits.

e) 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 another activity.

Answers to application activity 8.1

1. RSSB Corporate Values are:
 - Integrity
 - Collaboration
 - Accountability
 - Respect
 - Excellent
2. The mission of RSSB is to manage and promote social security in Rwanda
3. The branches currently managed: pensions, occupational hazard insurance, medical insurance, Community-Based Health Insurance (CBHI) and maternity leave benefits insurance

Lesson 2: Pension scheme

a) Learning objective

Identify benefits and conditions of pension scheme

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 introduction to RSSB. That will help to identify benefits and conditions of pension scheme lean in this lesson. Besides, in lesson 7 of this syllabus, student learnt how to prepare payroll which has enough elements related to different RSSB branches.

d) Learning activities

Activity 8.2

- 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 identify benefits and conditions of pension scheme. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answer to Activity 8.2

Q1. All employers must register for the pension scheme, occupational hazards and maternity leave. Public institutions must also register for the medical scheme. In addition, private enterprises may also voluntarily apply to register for the medical scheme. Individuals may also voluntarily apply to join the pension scheme if they are not currently paying into the pension scheme.

Q2. An employer is required to register with RSSB within seven (7) working days of starting a business.

e) Application activities 8.2

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 8.2

1. Enrolling for pension benefits is compulsory for the following individuals:
 - All employees governed by the Law regulating labour in Rwanda regardless of nationality, type of contract, duration of the contract or the number of wages;
 - Employees governed by the General Statutes for Public Service and civil servants governed by special statutes;
 - Political appointees;
 - Employees of international organizations, national non-governmental organizations, international non-governmental organizations, faith-based organizations and employees of Embassies accredited to Rwanda.
2. The law provides beneficiaries of pension benefits in case the affiliate dies and these are restricted to spouses, orphans, and parents in case the deceased does not have a spouse or any child.
3. The pension scheme totals a rate of 8%. This is made up of 3% withheld

from the employee and 5% paid by the employer, including payments to the Occupational Hazards Scheme

This is charged on all employment income except for transport allowances and transport benefits in kind

Lesson 3: Retirement benefit calculations

a) Learning objective

Demonstrate the computation and Survivors' benefit of retirement benefit

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 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 retirement benefit calculations. 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. $38\% \times \text{FRW } 100,000 = \text{FRW } 38,000$ per month pension for the rest of his life

e) Application activities 8.3

This activity can be given as a normal individual or group activity, where students demonstrate the computation and Survivors' benefit of retirement benefit. 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 8.3

Q1: The following are eligible for survivors' pension:

- The surviving spouse who did not divorce the deceased
- The children who are unmarried, not working for a salary and are either the deceased's legitimate children, legally adopted or those born outside wedlock but recognized as his or hers by law. They must be aged less than 18 years old, or less than 25 years old if still in full time education and without age limit if they are disabled and cannot work for a salary.
- The deceased's own or adopted parents i.e., if he or she left no wife or husband or children.

Q2: Calculation of survivors' pension:

Survivors' pensions are calculated in percentages based on the pension which the deceased was receiving or was eligible to receive at the time of death. The percentages are:

- 50% of the old age pension for the widow
- 25% for each child (where the other remaining parent is still alive)
- 50% for each child (where both parents are now deceased)
- 25% for each direct or adopted parent when the deceased leaves no wife, husband or children

Lesson 4: occupation hazard computations

a) Learning objective

Demonstrate the computation of occupation hazard benefit

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 8.4

- 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, for demonstrate the computation of occupation hazard benefit. 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

Q1:

Occupational hazards are a scheme under RSSB which provides assistance to employees and employers in the risk of illnesses or accidents at the workplace. The benefits covered by RSSB under occupational hazards scheme are: medical care, daily sickness allowances, incapacity social security benefits and survivors' benefits.

Q2.

A contribution of 2% of salary is paid on behalf of mandatory members by employers. There is no employee contribution towards this benefit.

Q3:

Benefits for occupational hazards are:

- Free medical care
- Daily sickness allowances

- Incapacity social security benefits
- Incapacity lump sum benefits
- Survivors' benefits

e) Application activities 8.4

This activity can be given as a normal individual or group activity, where students demonstrate the computation of occupation hazard benefit. 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 8.4

Q1. The survivor's allowances are fixed percentages of salary, as follows:

- 30% for the widow or widower
- 15% for each child of the father or mother (with the other remaining parent surviving)
- 20% for each child of father and mother (with both parents deceased)
- 10% for each direct or adopted parent

Q2. The temporary incapacity benefit is:

- 75% of average daily earnings in the last 3 months payable until full recovery or certificate of permanent incapacity for a maximum of 180 days.
- The permanent incapacity benefit is: a pension payable of 85% of average monthly earnings in the last 3 months payable.
- Partial permanent incapacity benefit: is given according to the degree of incapacity in proportion to the pension the beneficiary would get if they had been permanently incapacitated:
 - If the degree of the incapacity is at least 15% - the percentage of full pension according to the degree of incapacity.
 - If the degree of the incapacity is less than 15% - then a lump sum payment equal to 3 years' pension according to the degree of incapacity is awarded to the beneficiary.

Lesson 5: Dismissal compensation (terminal benefits)

a) Learning objective

Compute the dismissal compensation(terminal benefits)

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 unit 7 students covered how to prepare a payroll according to organizational policy. This will help to compute the dismissal compensation

d) Learning activities

Activity 8.5

- 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 computing the dismissal compensation(terminal benefits)

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

Answers to activity 8.5

Terminal benefits can be expressed as benefit given to employee upon the ending of the employment relationship as a result of economic reasons, technological transfer or sickness

e) Application activities 8.5

This activity can be given as a normal individual or group activity, where students compute the dismissal compensation(terminal benefits). 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 8.5

Q1. Answer: From 2003 to 2022: 19 years

From 0 to 5: 2 times monthly salary

From 5 to 10: 3 times monthly salary

From 10 to 15: 4 times monthly salary

From 15 to 20: 5 times monthly salary

From 20 to 25: 6 times monthly salary

Monthly average salary: FRW 6,600,000:12=FRW 550,000

Dismissal compensation: FRW 550,000×5=FRW 2,750,000

Q2. Benefits are calculated as follows:

- Two (2) times the average monthly salary for the employee having less than five (5) years of service with the same enterprise;
- Three (3) times the average monthly salary for the employee having between five (5) and ten (10) years of service with the same enterprise;
- Four (4) times the average monthly salary for the employee having between ten (10) and fifteen (15) years of service with the same enterprise;
- Five (5) times the average monthly salary for the employee having between fifteen (15) and twenty (20) years of service with the same enterprise;
- Six (6) times the average monthly salary for the employee having between twenty (20) and twenty-five (25) years of service with the same enterprise;
- Seven (7) times the average monthly salary for the employee having over twenty-five (25) years of service with the same enterprise.

Skills lab activity 5

Guidance on the skills lab activity.

In conducting this skills lab activity, you can either invite a resource person from RSSB for students to interview him/her or request students to conduct research on the internet where needed.

- i) Build

Given that students visit the RSSB website,

- 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.

ii) Practice

- Guide students on accessing the real website
- Ensure that internet is connected for all
- 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 their fellows

iv) Conclusion

The teacher emphasizes on the objective of the research reminding students that they have to follow those steps in identifying the retirement, occupation hazard profits and dismissal compensation benefits for employees in Rwanda.

The following are key areas for reference:

- Retirement of employees
- Occupation hazard profits of employees
- Dismissal compensation benefits for employees according to Rwanda Labor Law

8.6. Summary of the unit

- Rwanda Social Security Board (RSSB)

Rwanda Social Security Board (RSSB) was established by the law No.45/2010 of 14/12/2010 that determines its mission, organization and functioning.

Mission of Rwanda Social Security Board (RSSB)

The mission of RSSB is to manage and promote social security in Rwanda

Except the contributions for occupational hazard and CBHI, all those contributions are paid by both employee and employer as shown in the table below:

	RSSB	Occupational hazard	Contributions
Pension and occupational hazard			
Employee	3%	-	3%
Employer	3%	2%	5%
Total	6%	2%	8%

Medical scheme			
Employee	7.5%	-	7.5%
Employer	7.5%	-	7.5%
Total	15%	-	15%
Maternity leave insurance			
Employee	0.3%	-	0.3%
Employer	0.3%	-	0.3%
Total	0.6%	-	0.6%
Community-Based Health Insurance (CBHI)			
Employee	0.5%	-	0.5%
Employer		-	
Total	0.5%	-	0.5%

- Pension scheme

Pension scheme: Pension scheme is a scheme of social security which help workers who becomes old and incapable of working for a salary or become invalid and incapable of living by working

- Retirement Benefits

If you have 15 years of service, then your pension will be 30% of your higher average salary in the last 5 years. If you have more than 15 years of service, then you earn an additional 2% for each additional year.

- Occupation hazard computations

An occupational hazard is a scheme under RSSB which provides assistance to employees and employers in the risk of illnesses or accidents in the workplace.

A contribution of 2% of salary is paid on behalf of mandatory members by employers. There is no employee contribution towards this benefit.

- Dismissal compensation (terminal benefits)

Terminal benefits can be expressed as benefit given to an employee upon the ending of the employment relationship as a result of economic reasons, technological transfer or sickness

Benefits are calculated as follows:

- Two (2) times the average monthly salary for the employee having less than five (5) years of service with the same enterprise;
- Three (3) times the average monthly salary for the employee having between five (5) and ten (10) years of service with the same enterprise;
- Four (4) times the average monthly salary for the employee having between ten (10) and fifteen (15) years of service with the same enterprise;
- Five (5) times the average monthly salary for the employee having between fifteen (15) and twenty (20) years of service with the same enterprise;
- Six (6) times the average monthly salary for the employee having between

- twenty (20) and twenty-five (25) years of service with the same enterprise;
- Seven (7) times the average monthly salary for the employee having over twenty-five (25) years of service with the same enterprise.

8.7. Additional information for teachers

Stakeholders of RSSB

Contributing Members

Contributing members of the medical scheme and their dependants expect to receive promised medical benefits once they fall sick. Contributing members are therefore most interested in the security of that promised medical benefits. Consequently, it is critical to preserve capital while maintaining a strong funding ratio. Short- and medium-term growth is a fundamental investment objective.

Pensioners and Other Beneficiaries

Pensioners who retire when they were in the medical scheme expect to continue receiving their promised medical benefit payments throughout their eligible life. Beneficiaries are most interested in the security of their income stream. Consequently, it is critical to preserve capital to create an income flow that keeps up with inflationary pressures over time, since RSSB will subsidize the pensioners' medical benefits.

Employers

Employers want to control labor costs. As such employers are interested in the financial stability of RSSB such that rates of contribution will not increase, making the cost of labor prohibitive relative to their competitive position within the East African Region. Consequently, it is critical to preserve capital and to maintain a strong funding ratio.

Government of Rwanda

The Government of Rwanda, as the "guarantor" of RSSB bears many risks with regard to the proficiency of the organization and the security and investment performance of the investment portfolio. Sufficient investment returns earned at an appropriate risk level will ensure social benefits are secure, while the Government is also interested in seeing long-term investments made to build the nation. Consequently, it is critical to preserve capital, have a strong funding ratio, with focus on both long-term capital gains as well as sufficient income revenue to sustain real benefits.

8.8. End unit assessment (answers)

Answers to end unit assessment activities

Q1. Advice:

He has right to the old age pension of:

Average monthly remuneration: (FRW 480000+ FRW 540000+ FRW 600000+ FRW 660000+ FRW 720000):60= FRW 50000

After 15years, there are 32-15=17 years

PENSION RATE: 30 %+(2% \times 17) =64%

PENSION= FRW 50000 \times 64%=FRW 32,000

Q2. Excluding the transport allowance, the pension base is:

FRW 57,000 + FRW 3,000 = FRW 60,000

The compulsory pension contributions include:

- FRW 60,000 * 3% = FRW 1,800 withheld on behalf of Innocent by Amahoro

- FRW 60,000 * 5% = FRW 3,000 paid by Amahoro

Q3. RSSB contributions are paid by all employees and employers and go towards providing social security schemes such as pensions, cover for work related accidents, diseases, medical services or disease compensation, or to provide maternity leave benefits.

Q4. RRA is mandated to collect social security contributions on behalf of Rwanda Social Security Board (RSSB). This is because social security contributions are also paid on the basis of employment income. Therefore, it makes it easier for taxpayers to declare PAYE and social security contributions on one portal at the same time. RRA then transfers all social security contributions directly to RSSB.

Q5. Amount each of them is entitled to:

Average daily earnings :(FRW340,000+ FRW 230,000+ FRW 450,000):90= FRW11,333

Average monthly remuneration: FRW11,333X30= FRW339,990

✓ AMANI's temporary incapacity benefits: Average daily earnings x 75% x 30

Daily temporary incapacity benefits: FRW11,333x75% = FRW8,500

Temporary incapacity benefits for 30 days: FRW8,500x30= FRW255,000

- ✓ ALICE's total permanent incapacity benefits: Average monthly earnings x 85%

FRW339,990X85%= FRW288,991.5

MUGISHA's partial permanent incapacity benefits: Average monthly earnings x85% x 25% = FRW339,990x85%x25%= FRW72,248

8.9. Additional activities (Questions and answers)

8.9.1. Remedial activities

1. What is the Community Based Health Insurance?
2. Give any 3 Objective of the Community Based Health Insurance
3. What are the requirements for pensioner to access monthly old-age benefits?

Answer

Q1. Community Based Health Insurance (Mutuelle de santé) is a solidarity health insurance system in which persons (families) come together and pay contributions for the purpose of protection and receipt of medical care.

Q2. Objectives of the Community Based Health Insurance:

- To help people with low-income access medical care at affordable cost
- To ensure healthcare to all nationals
- To increase Government financing capacity for health sector.

Q3. Requirements for pensioner to access monthly old-age benefits:

- Having attained at least 65 years of age
- To be insured with the RSSB for at least 15 years.
- Cessation of work salaried

8.9.2. Consolidation activities

Q1. Kagina and Mukamana worked in the Banque Populaire du Rwanda (BPR) and attained the age of 65 years and 62 years respectively. Their average monthly salary for last three (3) years were respectively FRW 360,080 and FRW 299,000.

Kagina started a job in 1989 and Mukamana started a job in 1995. Last year for 2018 they requested for oldness pension and retired from job.

Calculate the pension fees allowed to both one by one.

Q2. ANNA has been employee in the company, respectively 32 years. He has respectively attained 68 years and wishes to retire ended 2019 from employment.

Five years preceding the admissibility to the pension he received the following salaries:

- 5th year (2015): FRW380,000
- 4th year (2016): FRW440,000
- 3rd year (2017): FRW200,000
- 2nd year (2018): FRW460,000
- 1st year (2019): FRW220,000

Advise him on the benefits and amounts he is entitled to.

Q3. KANEZA is an employee in KEZA maize LTD company from year 2004 to march 2022 with an annuary average salary of FRW 3,100,000. Last week he has received a dismissal notice due to the economic issues of the company.

Required: Calculate the KANEZA's dismissal compensation.

Answer:

Q1.

Calculation of the Pension KAGINA

Data for KAGINA:

KAGINA's monthly salary: FRW 360,080

He started in 1989

He ended in 2018

Working years: $2018 - 1989 = 30$ years

He has been employed for 15 years beyond the 15 years which entitles him to 30% of his average monthly earnings. Thus, he gets an increase of 2% for every additional year he has worked ; making $15 \times 2\% = 30\%$

The rate to apply becomes: $30\% + 30\% = 60\%$ KAGINA
pension = $FRW360,080 \times 60\% = FRW216,048$

Calculation of the Pension for MUKAMANA

Data for MUKAMANA:

MUKAMANA's monthly average salary: FRW299,000

He started in 1995

He ended in 2018

Working years: 2018-1995=24 years

He has been employed for 9 years beyond the 15 years which entitles him to 30% of his average monthly earnings. He gets an increase of 2% for every additional year he has worked: $9 \times 2\% = 18\%$.

The rate to apply becomes: $30\% + 18\% = 48\%$

MUKAMANA Pension=FRW299,000X48%= FRW143,520

Q2. ADVICE:

He has right to the old age pension.

- Amount of pension:

Average monthly earnings: $(\text{FRW}380,000 + \text{FRW}440,000 + \text{FRW}200,000 + \text{FRW}460,000 + \text{FRW}220,000) : 60 = \text{FRW}28,333$

After 15 years, there are $32 - 15 = 17$ years

Pension rate: $30\% + (2\% \times 17) = 64\%$

Pension= $\text{FRW}28,333 \times 64\% = \text{FRW}18,133$

Q3.

Time worked: from 2004 to 2022 making 19 years

From 0 to 5: 2 times monthly salary

From 5 to 10: 3 times monthly salary

From 10 to 15: 4 times monthly salary

From 15 to 20: 5 times monthly salary

Monthly average salary: $\text{FRW}3,100,000 : 12 = \text{FRW}258,333$

Dismissal compensation: $\text{FRW}258,333 \times 5 = \text{FRW}1,291,665$

8.9.3 Extended activities

Question:

After the work accident, ZUZU, MIMI, and DIDI were seriously hurt. ZUZU was hospitalized during 30 days. MIMI's incapacity was total and that of DIDI, less than his colleague was evaluated to 14%. Each of them received the following monthly wages during the three (3) months preceding their accident: July: FRW 270,000; August: FRW 360,000; September: FRW 450,000.

Advise them on their benefits and amounts each of them is entitled to.

Answer:

a) Advice:

- ✓ ZUZU will have right to the temporary incapacity benefits for 30 days and she will get it once.
- ✓ MIMI will have right to the total permanent incapacity benefits she will get it for her life.
- ✓ DIDI will have right to the partial permanent incapacity benefits she will get lump sum once because her incapacity is under 15%.

b) Amount each of them is entitled to:

Average daily earnings: $(\text{FRW}270,000 + \text{FRW}360,000 + \text{FRW}450,000) : 90 = \text{FRW}12,000$

✓ ZUZU's temporary incapacity benefits:

Daily temporary incapacity benefits: $\text{FRW}12,000 * 75\% = \text{FRW}9,000$

temporary incapacity benefits for 30 days: $\text{FRW}9,000 * 30 = \text{FRW}270,000$

✓ MIMI's total permanent incapacity benefits: Average monthly earnings x 85%
 $\text{FRW}360,000 * 85\% = \text{FRW}306,000$

✓ DIDI's partial permanent incapacity benefits: $\text{MMR} * 85\% * 14\% * 12 * 3$

✓ $\text{FRW } 360,000 * 85\% * 14\% * 12 * 3 = \text{FRW } 1,542,240$

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