NAMBIAR ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

A GUIDE TO TAXATION IN RWANDA-2020 JULY

Summary of Laws and Provisions

Direct and Indirect Taxes 5

- Legislation and Law: 5
- Income liable to tax 5
- Resident persons 5
- Taxable income 5

Taxation of Individuals 6

- Monthly tax rates (individuals) 6
- Income from employment 6
- Social Security (Contributions to retirement benefit schemes) 6
- Health Insurance 7
- Pay-as-you-earn tax (PAYE) 7

Corporate Tax 7

- Rate of tax 7
- Tax period (companies) 8
- Deductions not allowed 8
- Tax depreciation 8
- Carryover of tax losses 9
- Capital Gains Tax 9
- Dividends 9

Investment information 10

- Investment rules 10
- Investment incentives 10
- Exchange controls 10

International Transactions 11

- Double Taxation 11

Anti-Avoidance Schemes 12

- Transfer pricing 12
- Thin capitalization 13

Withholding Tax 13
- Withholding tax on public tenders 14
- Persons exempted from withholding taxes 14

Value Added Tax 14
- Scope of VAT 14
- VAT rates 15
- VAT on foreign services 15
- Compliance obligations 15
- VAT refund 16
- Withholding VAT (Reverse VAT) 16
- Electronic billing machines (EBMs) 16
- Requirements of a valid tax invoice 17
- Exemption for VAT 17

Tax rulings (Public/Private) 18

Interest on Late Payment and Penalties 18
- Interest for late payment 18
- Administrative fine-Wrongful acts punished with fixed administrative fine 19
- Non-fixed administrative fine 20
- Aiding, abetting and conspiracy with a taxpayer 21
- Failure to provide information 21

Special administrative fine related to the Value Added Tax 21
- Value Added Tax violations 21
- Failure to use electronic invoicing system by a person registered for the Value Added Tax 22
- Non-compliance with obligations of the user of electronic invoicing system 22

Penal provisions 22
- Offense of tax evasion 22
- Waiver of penalties for a taxpayer who makes self-disclosure 23
- Additional sanctions 23

Immovable Property Tax 23
- Tax rate on buildings 23
- Application of tax rate on buildings 24

- Tax rate on plots of land ... 24
- Tax declaration on immovable property by the taxpayer ... 24

Rental Income Tax ... 25

- Taxable rental income ... 25
- Rental income tax rate ... 25

Trade Licence ... 25

- Trading license tax rate ... 26

Direct and Indirect Taxes

- **Legislation and Law:**
- Law Establishing Taxes on Income no 16 of 2018
- Law on Value-added tax no. 37 of 2012, as amended
- Law on Tax Procedures no. 026 of 2019
- The Commissioner General's Rules
- Ministerial orders.

• Income liable to tax

Income tax is levied in each tax period on the total income of both resident and non-resident persons earning an income in Rwanda. A resident person must pay income tax on all income earned, from domestic and foreign sources. A non-resident person must pay income tax only on income which has a source in Rwanda.

• Resident persons

An individual is considered to be resident in Rwanda for tax purposes if that individual:

- has a permanent residence in Rwanda; or
- has a habitual abode in Rwanda; or
- A Rwandan representing Rwanda abroad.

In addition, an individual who stays in Rwanda for more than 183 days in any 12-month period, either continuously or intermittently, is considered to be resident in Rwanda for the tax period in which the 12-month period ends.

An entity is resident for tax purposes if it:

- is a company or an association established according to Rwandan laws; or
- has its place of effective management in Rwanda at any time during a tax period; or
- Is a Rwandan government company.

• Taxable income

The taxable income of a person is that person's total income for the tax year less the total amount of deductions allowed for that person. Taxable income derives from the following:

- 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.

Taxation of Individuals

• Monthly tax rates (individuals)

Income Rwf	Taxable Income Rwf	Tax Rate %
0 – 30,000	30,000	0%
30,001 – 100,000	70,000	20%
Above 100,0000	_	30%

• Income from employment

Income from employment comprises gains or profits from employment. It includes any allowances or benefits paid in cash or given in kind to or on behalf of the individual. Some allowances or benefits are exempt from tax.

• Social Security (Contributions to retirement benefit schemes)

The Government has established a national pension scheme, the Rwanda Social Security Board (RSSB), to provide social security services to employees in Rwanda. The RSSB requires all salaried workers in Rwanda, both nationals and foreigners, to contribute to the scheme.

➢ Rates of contribution

The employer must contribute 3% of the employee's gross salary to the pension scheme. The employee's contribution is also 3%. The employer must also contribute 2% of the employee's gross salary towards a mandatory occupational hazards scheme.

The employer and employee must pay 10% of 3% contribution as Maternity Leave Benefits Scheme. Gross salary means the total remuneration received by the employee. It includes allowances, bonuses, commissions and all other cash benefits as well as any fringe benefits but excludes the reimbursement of business expenses and transport allowances.

➢ Remittance of contribution

The employer must deduct social security contributions from employees every month. Employers may remit the total contribution on a monthly/quarterly basis before the 15th of the following month/quarter.

➢ Surcharge for late payment

All remittances made after the deadline attract a surcharge of 1.5% of the total contribution amount for each month or fraction of the month of delay. In addition, the employer must pay a fine of 1.5% per month for all late payments.

- **Health Insurance**

Health insurance shall be mandatory. Any person, whether a Rwandan or a foreign national, who is on the Rwandan territory shall be required to have health insurance. Any person entering the Rwandan territory without having any other form of insurance must subscribe to insurance with an insurance regime of his/her choice within a period not exceeding thirty (30) days.

Registering employees for medical scheme with Rwanda Social Security Board (RSSB) is only mandatory for public institutions. Private sector employers may choose to register their employees with RSSB or any other private insurance company for health insurance.
Any employer, whether public or private, shall be required to contribute to the payment of his/her employees" health insurance contributions in a recognized insurance scheme satisfying conditions required by law. Each employer shall furnish proof of having subscribed to insurance for his/her employees.

- **Pay-as-you-earn tax (PAYE)**

PAYE should be deducted at source from salaries, wages and taxable benefits earned by employees.
The employer has an obligation to remit PAYE to the Rwanda Revenue Authority by the fifteenth day of the month/quarter following the month/quarter in which the deduction was or should have been made.

Corporate Tax

- **Rate of tax**

The income tax rates applicable to companies are as follows.

Generally, businesses pay tax at the rate of 30%.

Newly listed companies on capital markets are taxed as follows for a period of five years.

- If the company sells at least 40% of their shares to the public: 20%
- If the company sells at least 30% of their shares to the public: 25%
- If the company sells at least 20 % of their shares to the public: 28%

The following companies pay 0% tax:

- Venture capital companies registered with the Capital Markets Authority in Rwanda benefits from a corporate income tax rate of 0% for a period of five years from the date the decision has been taken.
- Investment entities that operate in a Free Trade Zone or Foreign companies that have their headquarters in Rwanda
- Companies that carry out micro-financing activities pay 0% for five years.

Sale, lease, and free transfer of movable and immovable commercial property are taxed at 30%.

• Tax period (companies)

The standard tax period is a calendar year, that is, 1 January to 31 December. However, the Finance Minister may allow a taxpayer to apply for any other 12-month period as a tax period.

• Deductions not allowed

The following expenses are not deductible from taxable income:

1. Dividends declared and profits paid-out to their beneficiaries.
2. Reserve allowances, savings, and other special-purpose funds, unless otherwise provided for by this Law.
3. Fines and similar penalties.
4. Donations save for donations given to non-profit making organisations the value of which does not exceed one percent (1%) of the turnover.
5. Income tax paid in accordance with this Law or paid abroad on business profit and recoverable Value Added Tax (VAT).
6. Personal consumption expenses.
7. Entertainment expenses save for expenses on general sporting activities for employees.
8. Twenty per cent (20%) of expenses paid on business overheads as in the case of telephone, water, electricity, and fuel who's private and business use cannot be practically separable.
9. Management, technical services, and royalty fees paid to a non-resident person exceeding two percent (2%) of the turnover of the taxpayer.
10. Interest arising from loans between related persons either paid or due on a total loan which is greater than four (4) times the amount of equity. This equity should not include provisions or reserves according to the balance sheet, which is drawn up in accordance with the Generally Accepted Accounting Principles. The provisions under item 10° of this do not apply to commercial banks, financial institutions and insurance companies.

• Tax depreciation

Tax depreciation is granted to persons who own depreciable assets at the end of the tax period and use those assets to produce income

Type of asset	Basis for granting tax depreciation	Rate
Land, fine arts, antiquities, jewellery, and any other assets that are not subject to wear and tear or obsolescence	Not Applicable	Nil

The cost of acquiring, constructing refining, rehabilitating, or reconstructing buildings, equipment and heavy machinery fixed in walls	Straight line	5%
The cost of acquiring, developing, improving, rehabilitating, or reconstructing intangible assets, including goodwill that is purchased from a third party	Straight line	10%
Computers and accessories, information and communication systems, software products and data equipment	Reducing balance	50%
All other assets	Reducing balance	25%
Investment allowance	Not Applicable	50%

• Carryover of tax losses

Tax losses can be carried forward over the next five tax periods. Earlier losses are deducted before later losses.

If, during a tax period, the direct or indirect ownership of the share capital or the voting rights of an unlisted company change by more than 25% in value or by number, the company may not carry forward losses incurred during the tax period and previous tax periods. However, the Tax Administration may authorise the taxpayer who so applied for, the loss carried forward of more than five (5) tax periods if s/he fulfils requirements determined by an Order of the Minister.

• Capital Gains Tax

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 or transfer price. The tax rate on capital gain is five percent (5%) applicable on the gain.

The capital gain tax on the sale or transfer of shares shall be withheld by the company within which the transaction occurred.

The company within which the sale or transfer of shares occurred shall declare and pay the capital gain tax to the Tax Administration within fifteen (15) days following the month in which the sale or transfer of shares occurred.
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.

• Dividends

Dividends and similar distributions received from an investment in Rwanda by a resident or non-resident person are subject to final withholding tax at 15%. The withholding tax on dividends does not apply to a dividend paid by a resident company to another resident company.

Investment information

• Investment rules

Rwanda has a positive attitude towards foreign private investment and aims to protect and attract foreign investment. Generally, foreign and local investors may engage in any type of business activity. Foreign investors are required to first obtain an investment certificate (licence) from the Rwanda Development Board (RDB).

• Investment incentives

1. Incentives – An investment allowance of 50% for the first year for new or used assets if the investor, invest in business assets worth at least fifty thousand US dollars (USD 50,000) each and operate in at least one of the priority sectors provided by the Rwandan Government.
2. If the business profit results in a loss in a tax period, the loss may be deducted from the business profit in the next five (5) tax periods, earlier losses being deducted before later losses.
3. A registered investor investing in products used in Export Processing Zones are exempted from customs taxes and duties
4. A Preferential Corporate Income tax rate of Zero per cent (0%) is provided for an international company with its headquarters or regional office in Rwanda if it fulfils provided legal requirements.
5. A Preferential corporate income tax rate of fifteen percent (15%) is provided to investors who fulfil all legal requirements
6. Corporate Income Tax holiday of up to seven (7) years is entitled to an investor who fulfils the requirements in Government priority sectors.
7. Companies that carry out micro finance activities approved by competent authorities pay corporate income tax at the rate of 0% for a period of 5 years from the time of the approval of the activity.
8. Duty exemption on raw materials, plant and machinery and other inputs.
9. Stamp duty exemption.
10. Value added Tax (VAT) is refunded within 15 days
11. Immigration Incentives for registered Investors to recruit 3 foreign employees
12. Duty drawback to apply on input of goods from domestic tariff area; or
13. No export taxes.

• Exchange controls

Exchange control is administered by the Bank of Rwanda and is governed by Exchange Control. Both the current account and capital account have been liberalised. All residents and non-residents are free to bring in and take out capital with minimal restriction. After fulfilling all tax obligations in Rwanda, an investor can repatriate the following:

1. Capital

2. Profits derived from business activities
3. Debt and interest on foreign loans
4. Proceeds from the liquidation of investment
5. Any other assets of an investor

International Transactions

• Double Taxation

Rwanda has DTTs with Mauritius, Belgium, Singapore, EAC, South Africa, Jersey, Barbados, Morocco, UAE, Turkey. These treaties aim to eliminate the double taxation of income or gains arising from one territory and paid to residents of another territory. They provide for lower withholding rates on payments of dividends, interest, management and professional fees, and royalties between the two territories. The application of the DTT rates is subject to the recipient of the payments meeting certain conditions.

Double Tax Treaties (DTT)

COUNTRY	DIVIDENDS	INTERESTS	ROYALTIES	MANAGEMENT & PROFESSIONAL FEES
South Africa	10% or 20%	10%	10%	10%
Belgium	15%	10%	10%	10%
Mauritius	10%	10%	10%	12%
EAC	5%	10%	10%	10%
Singapore	7.50%	10%	10%	10%
Barbados	7.50%	10%	10%	15%
Jersey	10%	10%	10%	12%
Morocco	8%	10%	10%	10%
Turkey	10%	10%	10%	10%
UAE	7.50%	10%	10%	10%

Note: EAC, Turkey and UAE treaties are not yet in force and more proposals for treaty negotiations is in pipeline. EAC customs union, harmonization of tariff's in the countries of the sub-region

➢ **Procedure for granting benefits under agreements for avoidance of double taxation and prevention of tax evasion**

The benefits provided by the agreements for avoidance of double taxation and prevention of tax evasion are granted after validation of the residence certificate for tax purposes in the manner determined by the Tax administration.

The Tax administration establishes guidelines for procedure, mutual agreement, and assistance in collection of taxes provided for in the agreements for avoidance of double taxation and prevention of tax evasion.

Anti-Avoidance Schemes

• Transfer pricing

Related persons involved in controlled transactions must have documents justifying that their prices are applied according to arm's length principle. Failure to do so, the Tax Administration adjusts transactions prices in accordance with general rules on transfer pricing, issued by an Order of the Minister.

➢ TP Guidelines

At present, the transfer pricing guidelines are drafted pending to be gazetted.
The Scope of application:
Controlled transactions between related parties.
The persons involved who may be located in Rwanda or abroad.
The persons involved must be subject to tax in Rwanda.
Domestic TP is also covered.

➢ Who has the obligation?

Related parties engaged in controlled transaction (s)
What are the required documents?
All documents highlighted in the tax procedure law;
Policy document with sufficient information to:
prove pricing is consistent with arm's length principle.
Explain the basis for selecting a given method.
Factors considered for adjustments made
Details about the transaction
Organizational structure will always be submitted whenever updated.
Documents should be available prior to due date of filing income tax returns.

➢ TP Status in Rwanda

Rwanda become a member of the global forum to enhance
access to information.
Peer review expected soon this year.
Risk assessment started and Audit plans are underway.

No advance pricing agreements provision yet.

- **Thin capitalization**

The interest paid on loans and advances from related entities is not tax deductible when the total amount of loans or advances is more than four times the amount of equity during the tax period. For the purposes of this determination, equity excludes provisions and reserves. This provision does not apply to commercial banks and insurance companies.

Withholding Tax

A resident individual or resident entity must deduct withholding tax of 15% when making the following payments:

Type	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%
Directors sitting fees	30%

The withholding tax deducted should be paid to the RRA within 15 days of the month of the deduction. Confirmation of this payment should be provided to the recipient of the income.

However, money which is recorded in the books of account as a liability of a taxpayer to creditors and which reduces the taxable income is deemed a payment if it has exceeded six (6) months following the tax period.

• Withholding tax on public tenders

A withholding tax on public tenders of three percent (3%) of the sum of invoice, excluding the Value Added Tax (VAT), is retained when public tenders are paid.

However, a tax of fifteen percent (15%) shall be withheld on public tenders if the recipient is not registered with the Tax Administration or he/she is registered but does not have his/her previous income tax declaration.

A withholding tax on payment made to a person registered with the Tax Administration shall be deducted from income tax during the income tax declaration and its payment.

• Persons exempted from withholding taxes

The following taxpayers are exempted from withholding

Those whose business profit is exempted from taxation.
Those who have tax clearance certificate issued by the tax administration.
The Tax Administration may revoke a tax clearance certificate at any time if the conditions required by the tax administration are not fulfilled.

Value Added Tax

• Scope of VAT

Other than exempt goods and services, value-added tax (VAT) is charged on the following:

- ❖ Every taxable supply in Rwanda; and
- ❖ Every taxable import of goods or services.

A person must register for VAT if they carry out a business in Rwanda that deals in taxable supplies and has or is likely to have a turnover of more than Rwf20 million in any tax year or Rwf5 million in a calendar quarter.

The tax is paid by:

- ❖ The taxable person making the supply, in the case of taxable supply.
- ❖ The importer, in the case of imported goods; or
- ❖ The receiver of the service, in the case of imported services.

If a supplier is deemed to have a place of supply in Rwanda and makes supplies in the course of their business in Rwanda, then they are liable to register and account for VAT in Rwanda.

• VAT rates

Once it is established that a supplier falls within the scope of VAT in Rwanda, it is necessary to determine whether the supplier makes taxable or non-taxable (exempt) supplies. Taxable supplies are supplies which are subject to VAT at a rate of 0% (zero-rated) or 18% (standard rated).

The VAT Act specifies those supplies that are classified as exempt or zero-rated supplies. Exempt supplies are not subject to output VAT.

In the case of zero-rated supplies, VAT is chargeable, but at 0%. Suppliers who provide services or goods which are zero rated are entitled to recover the input VAT they have incurred. For exempt supplies, input VAT recovery is restricted.

Any supplies which are not specifically included in the exempt and zero-rated schedules under the VAT Act will be subject to VAT at the standard rate of 18%.

VAT is also payable on the importation of goods and services into Rwanda. VAT paid on the importation of goods is treated in the same way as input VAT on local supplies, that is, it can be recovered unless there are restrictions. On the other hand, a VAT reverse charge payable on the importation of services cannot be automatically reclaimed.

• VAT on foreign services

A local recipient of services from a foreign supplier will be required to account for a VAT reverse charge at 18% of the value of the services procured. The VAT Act further provides that the recipient may not reclaim the corresponding input VAT unless the services so procured are not available in the local market. Services are considered not to be available in Rwanda if there is no person in the local market that can deliver identical or similar services. This means that when the service is deemed not to be available, the cost of any services procured from outside Rwanda will increase by 18% since the VAT reverse charge is not recoverable.

The RRA may deem services to be available in Rwanda even when the actual services procured are of a different specification or standard to those available locally. However, consumers of imported transport services are allowed a deduction of VAT reverse charge even if the services are available in Rwanda.

• Compliance obligations

When suppliers make a taxable supply, or procure services from abroad for the purposes of their business, they must charge VAT (output VAT for supplies or VAT reverse charge for imported services) at the appropriate rate (0% to 18%) and account for it to the RRA.

A supplier who is registered for VAT and incurs input VAT on business purchases may, subject to specific statutory exclusions, reclaim the input VAT by offsetting it against the output VAT liability.

The net liability to VAT, including the VAT reverse charge, must be accounted for to the RRA in the prescribed VAT declaration, and relevant, supporting schedules must be included. The VAT return must be filed with the RRA and any payment due made to the RRA within 15 days of the end of the month for which the VAT is accounted for.
VAT taxpayers with an annual turnover of Rwf200 million or below may choose to make declarations or payments quarterly or monthly.
Failure to register as a taxable supplier, to submit the VAT return on time, to pay VAT due on time, or the submission of an incorrect return, will render the taxpayer liable for interest and penalties.

- **VAT refund**

If a person registered for VAT is in a position to claim a VAT refund because of input tax exceeding output tax, the Commissioner General may order the claim to be verified, and the taxpayer and RRA must respond within three months of the date the claim was lodged. All outstanding tax declarations should be filed.

If a person registered for VAT is in a position to claim a VAT refund because of input tax exceeding output tax, the Commissioner General may order the claim to be verified. In the event of an audit, the RRA must respond within three months from the date the claim was lodged. All taxpayer's outstanding tax declarations should have been filed.

- **Withholding VAT (Reverse VAT)**

As set out in the international agreements, foreign diplomatic missions, foreign governments and international government organisations are eligible for VAT refunds on goods and services.

Government and public institutions must withhold VAT on taxable supplies when making payment to suppliers. The VAT withheld is remitted to RRA by the fifteenth day of the following month. The supplier must account for output VAT and show the VAT declared as a credit, thus resulting in a nil effect.

- **Electronic billing machines (EBMs)**

Persons registered for VAT must use a certified electronic billing machine which generates invoices or receipts indicating the tax charged. The procedures for installing EBMs are set out in the law.

Any person required to use Electronic Billing machine who sells goods or services without issuing an electronic billing machine is liable to an administrative fine of ten times the value of the evaded Value added tax.

Incise a person repeat the fault he/she is liable to an administrative fine of Twenty times the value of the evaded Value Added tax.

• Requirements of a valid tax invoice

All suppliers registered for VAT must raise a tax invoice which includes the following:

1. The word 'tax invoice', in a prominent place
2. The name of the supplier
3. The address of the supplier
4. The VAT registration number of the supplier
5. The serial number of the invoice
6. The date the invoice was issued
7. The quantity or volume of the goods or services supplied
8. A description of the goods of services supplied
9. The selling price, excluding VAT
10. The total amount of VAT charged
11. The selling price, including VAT.
12. Attached to EBM receipt.
13. Invoices that do not include this information may be admissible if they contain:
14. The selling price including VAT; or
15. A statement that the price includes VAT, with the rate of VAT provided.
16. Simplified tax invoice –EBM receipt.

• Exemption for VAT

The following goods and services shall be exempted from value added tax:

1. services of supplying clean water and ensuring environment treatment for non- profit-making purposes except for sewage pump- out services.
2. goods and services for health-related purposes:
   a) health and medical services.
   b) equipment designed for persons with disabilities.
   c) goods and drugs appearing on the list made by the Minister in charge of health and approved by the Minister in charge of taxes.
3. educational materials, services and equipment appearing on the list made by the Minister in charge of education and approved by the Minister in charge of taxes.
4. books, newspapers, and journals.
5. transportation services by licensed persons:
   a) transportation of persons by road in vehicles which have a seating capacity of fourteen (14) persons or more.
   b) transportation of persons by air.
   c) transportation of persons or goods by boat.
   d) transportation of goods by road.
6. lending, lease, and sale:
   a) sale or lease of land.
   b) sale of a whole or part of a building for residential use.
   c) renting or grant of the right to occupy a house used as a place of residence of one person and his/her family if the period of accommodation for a continuous term exceeds ninety (90) days.
   d) lease of a movable property made by licensed financial institution.

7. financial and insurance services:
   a) premiums charged on life and medical insurance services.
   b) bank charges on current account operations.
   c) exchange operations carried out by licensed financial institutions.
   d) interest chargeable on credit and deposits.
   e) operations of the National Bank of Rwanda.
   f) fees charged on vouchers and bank instruments.
   g) capital market transactions for listed securities.
   h) transfer of shares.
8. precious metals: sale of gold in bullion form to the National Bank of Rwanda.
9. any goods or services in connection with burial or cremation of a body provided by an Order of the Minister in charge of finance.
10. energy supply equipment appearing on the list made by the Minister in charge of energy and approved by the Minister in charge of taxes.
11. trade union subscriptions.
12. leasing of exempted goods.
13. all agricultural and livestock products, except processed ones. However, milk processed, excluding powder milk and milk- derived products, is exempted from this tax.
14. agricultural inputs and other agricultural and livestock materials and equipment appearing on the list made by the Minister in charge of agriculture and livestock and approved by the Minister in charge of taxes.
15. gaming activities taxable under the Law establishing tax on gaming activities.
16. personal effects of Rwandan diplomats returning from foreign postings, Rwandan refugees and returnees entitled to tax relief under customs laws. The period of twelve (12) months required for tax relief for vehicles provided under customs laws shall not apply to Rwandan diplomats returning from foreign postings.
17. goods and services meant for Special Economic Zones imported by a zone user holding this legal status.
18. mobile telephones and SIM cards.
19. information, communication and technology equipment appearing on the list made by the Minister in charge of information and communication technology and approved by the Minister in charge of taxes.

Tax rulings (Public/Private)

Subject to the provisions of other laws, on request or by his or her own initiative, the Commissioner General issues an advance tax ruling. In case this ruling is for the public, it is published through a nationwide media. It is possible for a taxpayer to request for a private ruling in case there is any doubt of interpretation of the law.

Interest on Late Payment and Penalties

- **Interest for late payment**

If the taxpayer fails to pay tax within the period provided for by this Law, he or she must pay late payment interest on the amount of principal tax. The interest rate is fixed at one-point five percent (1.5%). Interests for late payment are calculated monthly, noncompounding, counting from the first day after the tax should have been paid until the day of payment inclusive. Every month that begins is considered as a complete month.

Interests for late payment accrue shall not exceed one hundred percent of the amount of tax. Interests for late payment are always payable, even when the taxpayer has lodged an administrative or judicial appeal against the assessment. Interests for late payment do not apply on a taxpayer who discloses himself or herself"

- **Administrative fine-Wrongful acts punished with fixed administrative fine**

A taxpayer or any other person is subject to an administrative fine if he or she does one of the following:

1. Not to submit a tax declaration on time.
2. Not to submit a withholding tax declaration on time.
3. Not to withhold tax.
4. Not to provide proofs required by the tax administration.
5. Not to cooperate with a tax audit.
6. Not to communicate on time powers or appointment entrusted.
7. Not to comply with the obligation to register.
8. Not to comply with certain provisions of the law (articles 13, 14, 15 and 16).
9. Not to keep books and records of controlled transactions.
10. to obstruct or attempt to obstruct the activities or duties of the Tax administration.
11. not to comply with any requirements provided for in specific laws governing

Except for cases of failure referred to in Items 9 and 10, administrative fine related to violations of provisions as follows:

1. One hundred thousand Rwandan francs for a natural person not engaged in any commercial activity or a taxpayer whose annual turnover is equal to or less than twenty million Rwandan francs.
2. Three hundred thousand Rwandan francs if the taxpayer is a public institution or a non-profit making organization and if the taxpayer’s annual turnover exceeds twenty million Rwandan francs.
3. Five hundred thousand Rwandan francs if the taxpayer was informed by the Tax administration that he or she is in the category of large taxpayers.
4. Five hundred thousand Rwandan francs if taxpayer fails to submit his or her certified annual tax declarations and financial statements as required by law; the fine is paid every month until he or she submits them.

If the taxpayer commits the same fault twice in five years, the basic fine is doubled. In case the same violation is committed again within those five years, the fine is four times the basic administrative fine.

In case of failure to keep books and records of controlled transactions as provided in the Law, the applicable administrative fine referred to in this Article is doubled.

• Non-fixed administrative fine

➢ Administrative fine for non- declaration and non-payment of tax on time

If a taxpayer has neither declared nor paid tax in the required time limits provided by law, he or she pays the tax he or she did not declare and pay and is liable to an administrative fine as follows:

1. Twenty percent of due tax, when the taxpayer exceeds the time limit for declaration and payment for a period not exceeding thirty days.
2. Forty percent of tax the taxpayer should have declared and paid, if he or she pays within a period ranging from thirty-one to sixty days from the time limit for the payment.
3. Sixty percent of due tax, if the taxpayer exceeds the time limit for declaration and payment by more than sixty days.

The taxpayer who has declared due tax in the required time limits provided by law but did not pay that tax in such time limits, pays the principal tax and an administrative fine as follows:

1. Ten percent of due principal tax, when the taxpayer exceeds the time limit for payment for a period not exceeding thirty days from the fixed date of payment.
2. Twenty percent of the principal tax due, when the taxpayer exceeds the time limit for the payment of a period ranging from thirty-one to sixty days from the fixed date of payment.
3. Thirty percent of due principal tax, when the taxpayer exceeds the time limit for payment by more than sixty days from the fixed date of payment.

➢ Administrative fine for understatement of tax levied after audit or investigation

If an audit or investigation shows that there is the understatement of the amount on a tax declaration is at least ten percent but doesn't exceed twenty percent of the tax liability, the taxpayer must pay the non- paid tax and also be subject to an administrative fine of ten percent of the amount of the understatement.

The administrative fine referred to in Paragraph one of this Article doubles if the understatement rate exceeds twenty percent of the principal tax liability the taxpayer ought to have paid. However, if a taxpayer voluntarily declares and pays the due tax after required time limits but before he or she is notified of imminent audit, is liable to an administrative fine as follows.

1. Twenty percent of due tax, when the taxpayer exceeds the time limit for declaration and payment for a period not exceeding thirty days.
2. Thirty percent of tax the taxpayer should have declared and paid, if he or she pays within a period ranging from thirty-one to sixty days from the time limit for the payment.
3. Forty percent of due tax, if the taxpayer exceeds the time limit for declaration and payment by more than sixty days.

However, a taxpayer who rectifies his or her tax declaration and pays relevant tax before he or she is notified of imminent audit of his or her tax is not subject to the administrative fine referred to in this Article.

- **Administrative fine for non- declaration and non-payment of the tax levied after audit or investigation**

If an audit or investigation shows that a taxpayer has neither declared nor paid tax in the required time, the taxpayer is liable to an administrative fine equivalent to sixty percent of due principal tax.

- **Failure to comply with modalities and conditions for the use of electronic invoicing system**

Except for taxpayers registered for the value added tax, any person who is required to issue an invoice generated by an electronic invoicing system recognized by the Tax administration who fails to do so is liable to an administrative fine of two times the value of the transaction.

Any value addition tax unregistered person who carries out a taxable transaction and delivers an electronic invoice with under- valued price or quantity of goods or services is liable to an administrative fine of two times the value of the under-valued transaction.

- **Aiding, abetting and conspiracy with a taxpayer**

Without prejudice to the provisions of other laws, any qualified professional authorized by the tax administration who aids, abets or conspires with the taxpayer in order to contravene fiscal laws commits a fault punishable by an administrative fine equal to that imposed to the taxpayer.

- **Failure to provide information**

A taxpayer who fails to provide information, or who provides incomplete, incorrect or misleading information, in relation to audited transactions, is subject to an administrative fine equivalent to five percent of the value of the transaction under audit.

Special administrative fine related to the Value Added Tax

- **Value Added Tax violations**

A person who does not comply with provisions of Value Added Tax is subject to an administrative fine as follows:

1. An administrative fine of fifty percent of the amount of value added tax output for the entire period of operation without value added tax registration, where Value Added Tax registration is required.

2. An administrative fine of one hundred percent of the value added tax indicated in the invoice and payment of that tax as indicated on that invoice, for a person who issued a value added tax invoice when he or she is not registered for value added tax.

- **Failure to use electronic invoicing system by a person registered for the Value Added Tax**

A person registered for the Value Added Tax who sells goods or services without issuing an electronic invoice is liable to an administrative fine of ten times the value of the evaded Value Added Tax.

In case of the fault is repeated, the defaulter is liable to an administrative fine of twenty times the value of the evaded Value Added Tax.

- **Non-compliance with obligations of the user of electronic invoicing system**

A person who fails to comply with obligations of the user of the electronic invoicing system provided of the law is liable to an administrative fine of two hundred thousand Rwandan francs. In case of the fault is repeated, the administrative fine is increased to four hundred thousand Rwandan francs.

A person registered to the Value Added Tax who carries out a taxable transaction and delivers an electronic invoice with under- valued price or quantity of goods or services is liable to an administrative fine of ten times the value of the evaded value added tax.
In case of the fault is repeated, the administrative fine is increased to twenty times the value of the Value Added Tax evaded.

Penal provisions

- **Offense of tax evasion**

A person who, while intending tax evasion, commits one of the following acts:

1. Use of forged documents in his or her accounts.
2. Counterfeit and use of documents or materials of the tax administration used for taxation.
3. Hiding taxable goods or assets related to business.
4. Making a declaration indicating that the taxpayer has not made sales.
5. Changing the trade name by a person prosecuted in relation to tax.
6. Fraudulent registration of trade under the name of another person.
7. Hiding accounting documents from the tax administration or damaging them.
8. Use of forged accounting records; commits an offence of tax evasion."

Upon conviction, he or she is liable to imprisonment for a term of not less than two years and not more than five years.

- **Waiver of penalties for a taxpayer who makes self-disclosure**

The default interests and administrative fine related to the non-payment and non-declaration of tax referred to in this Law do not apply to the taxpayer who makes self-disclosure to the Tax Administration and pays due taxes that he or she didn't pay before being notified that he or she is notified of imminent audit.

The self-disclosure leads to exemption from the payment of default interests and administrative fine only if it is done by a taxpayer not registered with the Tax Administration or by another registered taxpayer who is no longer audited in accordance with the provisions of this Law.

- **Additional sanctions**

Any person who commits a fault or an offence provided for by this Law may be liable to the following additional sanctions

1. Closure of business activities for a period of thirty days.
2. To be barred from bidding for public tenders.
3. Withdrawal of a business register.
4. To be published in the media.

Administrative sanctions provided for in this Law do not cancel either the payment of the tax due or the criminal proceedings against the concerned taxpayer.

Immovable Property Tax

The Immovable Property Tax is governed by Law No. 75/2018 of 07/08/2018 determining the source of revenue and property of decentralized entities. The immovable property tax is assessed and paid by the owner, the usufructuary or any other person considered to be the owner.

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

The immovable property tax is levied on the market value of a building and surface of a plot of land.

- **Tax rate on buildings**

The tax rate on buildings is determined as follows:
1. one per cent (1%) of the market value of a residential building.
2. zero point five per cent (0.5%) of the market value of the building for commercial buildings.

3. zero point one per cent (0.1%) of the market value of industrial buildings, buildings belonging to small and medium enterprises and those intended for other activities not specified.

• Application of tax rate on buildings

Except for the tax rate of zero point one per cent (0.1%), the tax rates are applied progressively as follows:

1. for residential buildings a progressive rate is applied as follows:
   - Zero-point twenty-five percent (0.25%) from the first year after the commencement of this Law.
   - Zero-point fifty percent (0.50%) from the second year after the commencement of this Law.
   - Zero-point seventy-five percent (0.75%) from the third year after the commencement of this Law.
   - One percent (1%) from the fourth year after the commencement of this Law.

2. for commercial buildings a progressive rate is applied as follows:
   - zero-point two percent (0.2%) of the market value of the building is applied in the first year of the commencement of this Law.
   - zero-point three percent (0.3%) during the second year of the commencement of this Law.
   - zero point four per cent (0.4%) during the third year of the commencement of this Law.
   - zero-point five percent (0.5%) during the fourth year of the commencement of this Law

Residential apartments having a minimum of four floors, including basement floors, benefit from reduction of tax rates, equivalent to fifty percent (50%) of the ordinary rate.

• Tax rate on plots of land

The tax rate on plot of land varies between zero (0) and three hundred Rwandan francs (FRW 300) per square meter. The District Council determines the tax rate on square meter of plot of land based on criteria and standard rates set by an Order of the Minister in charge of taxes.

The tax rate determined by the District Council per square meter of land in accordance with the provisions of the Law is increased by fifty percent (50%) applicable to land in excess to standard size of plot of land meant for construction of buildings. \

• Tax declaration on immovable property by the taxpayer

Not later than 31st December of the year that corresponds to the first tax period, the taxpayer files to the tax administration his/her declaration of the immovable property tax determined in accordance with provisions of the Order of the Minister in charge of taxes.

A new declaration of immovable property tax is filed by not later than 31st December of the last year of each tax assessment cycle.

Rental Income Tax

The rental income tax is governed by Law No. 75/2018 of 07/08/2018 determining the source of revenue and property of decentralized entities The rental income tax is paid by any individual who earns income from renting out the fixed assets located in Rwanda, including land, buildings and improvements.

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

- **Taxable rental income**

Rental income tax is charged to the following:

- Income from rented buildings in whole or in part.
- income from rented improvements in whole or in part.
- income from any other rented immovable property located in Rwanda.

- **Rental income tax rate**

The rental income tax rate is determined as follows:

- Zero percent for an annual rental income from one Rwandan franc to one hundred eighty thousand Rwandan francs.
- Twenty percent for an annual rental income from one hundred eighty thousand and one Rwandan francs to one million Rwandan francs.
- Thirty percent for an annual rental income above one million Rwandan francs.

The taxable rental income is obtained by deducting from the gross rental income fifty percent considered as the expenses incurred by the taxpayer on maintenance and upkeep of the rented property. A person who earns a taxable rental income files a rental income tax declaration not later than 31st January each year.

Trade Licence

The trading license tax is governed by Law No. 75/2018 of 07/08/2018 determining the source of revenue and property of decentralized entities the trading licence tax is paid by any person for each place in which he/she opens a business activity within a District.

The tax period for the trading licence tax starts on January 1st and end on December 31st.

If taxable trading activities start after January, the taxpayer pays trading licence tax equivalent to the remaining months of the year including the one in which the activities started. For the taxpayers conducting seasonal or periodic trading activities, the trading licence tax is paid for a whole year, even though the taxable trading activities do not occur throughout the whole year.

• Trading license tax rate

For the taxpayer registered for VAT, the trading license tax is based to their respective turnovers of the previous year, as follows:

Turnover	**Tax due in Rwf**
From Rwf 1 to 40,000,000	60,000
From Rwf 40,000,001 to 60,000,000	90,000
From Rwf 60,000,001 to 150,000,000	150,000
Above Rwf 150,000,000	250,000

Any taxpayer files a tax declaration to the tax administration not later than 31st January of the year that corresponds to the tax period. If a taxpayer has branches, a trading licence tax declaration is required for the head office as well as for each branch of his/her business activities basing on the turnover of the previous year for the head office and for each branch. In case a branch does not have or cannot determine its turnover, the trading licence tax is declared based on the turnover of the head office.

If a taxpayer carries out different business activities in different buildings, he/she files a trading licence tax declaration for each business activity. When a business is made of several activities carried out by the same person in the same building, only one trading licence tax certificate is required and only one tax declaration for all business activities is filed. In case a business is spread across more than one District, the taxpayer files his/her declaration of trade licence tax in each District where he/she operates.