



Paying taxes in Rwanda

A checklist for foreign investors

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1 | Introduction

The main purpose of this report is to present and explain Rwandan tax policies, procedures and yearly requirements to Dutch investors. There are certain things every foreign entrepreneur or investor should know before opening a business in Rwanda. Businesses can be registered in Rwanda within six hours through the online portal of Rwanda Development Board (RDB). Many businesses do not realize that after business registration at RDB, one automatically is registered as a taxpayer and needs to start reporting to the Rwanda Revenue Authority (RRA). In this report, types of taxes, declaration and payment, interests, penalties and fines will be discussed.

LISTS OF ACRONYMS

RDB	Rwanda Development Board
RRA	Rwanda Revenue Authority
TIN	Tax Identification Number
BRC	Business Registration Certificate
PIT	Personal Income Tax
CIT	Corporate Income Tax
PAYE	Pay As You Earn
VAT	Value Added Tax
EBM	Electronic Billing Machine
CIF	Cost Insurance Freight value

2 | What happens after business registration at RDB?

Many foreigners fail to realize their obligations vis-à-vis RRA, which arise automatically after business registration at RDB. Once a business is successfully registered at RDB, the owner will receive a Business Registration Certificate with a Tax Identification Number (TIN). The TIN indicates that you have become a taxpayer with all relevant taxpayer rights and obligations.

Every registered taxpayer is required to declare taxes on an annual basis at RRA offices where your company is registered not later than March 31. Annual tax declaration is required regardless of the fact whether the registered business is active or inactive. If a business is inactive or no profits were realized; you should still declare zero to avoid unnecessary penalties.

When a business is registered, one waits for the following year to declare and pay taxes if any. And will only declare and pay according to the turn-over received during the period the business has been registered in Rwanda. If a business did not generate any income or turn-over, the business will declare Zero and pay nothing.

3 | Centralized and decentralized taxes

There are two types of taxes in Rwanda handled by RRA offices, namely: centralized taxes and decentralized taxes. Please note that registration of a business at RDB will unlock obligations for tax declaration (and payment) for both types.

Centralized taxes (Corporate Income Tax) will be unlocked directly after business registration at RDB. Businesses need to register for decentralized taxes by visiting either the decentralized taxes department at the RRA Headquarter-Kimihurura or one of the RRA district offices at Gasabo, Kicukiro and Nyarugenge (depending on company address used for registration).

CENTRALIZED TAXES

The applicable tax regime depends on the annual turn-over of businesses. Generally, foreign investors will be required to declare and pay Corporate Income Taxes (CIT) and Value Added Tax (VAT). Companies with employees will also be required to declare and pay Pay As you Earn (PAYE). Also, they are often required to pay withholding taxes.

Personal Income Tax (PIT) is a type of centralized tax paid by Small-and Medium Sized Enterprises. These businesses are registered by individual business owners directly at RRA rather than RDB (like boutiques or bakeries).

Type of Centralized Taxes	Rate	Notes
CORPORATE INCOME TAX (CIT) REAL REGIME		
Any company registered in RDB or individual person registered in RDB with a turnover exceeding 20,000,000 RWF	30%	<p>CIT is levied to profits earned by all entities performing businesses activities in Rwanda.</p> <p>Declaration and payment: For the first year of registration, CIT is declared and paid no later than March 31 of the following year. Subsequently, CIT is declared and paid on a quarterly basis prior to the deadlines of June 30, September 30, December 31 and March 31.</p>
PERSONAL INCOME TAX (PIT) LAMP SUM REGIME		
Medium-size businesses	0%	Monthly taxable income 0–360,000 RWF
Percentage-based regime paid by businesses with turnover ranging from 12,000,000 RWF to 20,000,000 RWF	20%	Monthly taxable income 360,001 RWF–1,200,000 RWF
	30%	<p>Monthly taxable income >1,200,000 RWF</p> <p>Or Apply 3% of the turnover (12,000,000 RWF up to 20,000,000 RWF)</p> <p>Declaration and payment: For the first year of registration, PIT is declared and paid no later than March 31 of the following year. Subsequently, CIT is declared and paid on a quarterly basis before the deadlines of June 30, September 30, December 31 and March 31.</p>
Small-size businesses	No tax	< 2,000,000 RWF annual turnover
Flat tax regime paid by businesses with turnover ranging from 2,000,000 RWF to 12,000,000 RWF	60,000 RWF	2,000,000 RWF–4,000,000 RWF annual turnover
	120,000 RWF	4,000,000 RWF–7,000,000 RWF annual turnover
	210,000 RWF	7,000,000 RWF–10,000,000 RWF annual turnover
	300,000 RWF	10,000,000 RWF–12,000,000 RWF annual turnover
		<p>Declaration and payment: For the first year of registration, PIT is declared and paid no later than March 31 of the following year. Subsequently, CIT is declared and paid on a quarterly basis before the deadlines of June 30, September 30, December 31 and March 31.</p>

PAY AS YOU EARN (PAYE)

Tax paid by businesses employing one or more employees

Every employer is legally responsible to register employees at the RRA office for PAYE after seven days of signing an employment contract.

When paying a monthly salary to an employee, the employer is legally obliged to withhold, declare, and pay PAYE tax before the 15th day of the following month.

In the case of engaging casual labour for less than 30 days during a particular tax year, the employer shall withhold 15% of the taxable employment income of the casual labourer. The first 30,000 RWF of the income earned is taxed at 0%.

Monthly deduction

0%	0–30,000 RWF
20%	30,001 RWF–100,000 RWF
30%	RWF >100,000 RWF

Allowances paid (in cash) are added to the basic income and will be subject to taxation as well.

WITHHOLDING TAX

15% Withholding tax on other payments
Withholding tax of 15% is also paid on 'imported' services provided by non-residents in Rwanda. Exemptions are rarely granted in case one proves such services cannot be provided by Rwandan residents.

5% Withholding tax of 5% levied on the value of goods imported for commercial use needs to be paid at customs on the Cost Insurance Freight value (CIF) value before clearance.

3% Withholding tax of 3% on the sum of invoice based on public tenders, excluding VAT, is retained on payments by public or private institutions to those who supply goods and services.

Withholding tax of 15% is also levied on the following payments made by resident individuals or entities including:

- Dividends, interests and royalties
- Entertainment or performance payments made to an artist, a musician or an athlete irrespective of whether paid directly or through an entity that is not resident in Rwanda.
- Services provided by non-registered person at RRA or RDB meaning they do not pay VAT and are part of the informal economy.
- Lottery prizes and other gambling income.

Declaration: Withholding tax is declared and paid within 15 days following the month the tax was withheld.

VALUE ADDED TAX (VAT)

18% VAT is generally designed as tax on final consumption. Every person who consumes taxable goods or services imported or locally produced must pay VAT.

VAT-registered companies can retrieve the VAT at the RRA office upon providing VAT receipts with their TIN number. Hence, it is very important to mention your TIN number when making payments, so receipts will be accepted by RRA.

Declaration: VAT is declared and paid within 15 days following the month/ quarter during which tax was collected.

INFRASTRUCTURE DEVELOPMENT LEVY

1.5% All imported goods are subject to a levy of 1.5% on the customs value of imported goods. However, the following goods are exempted from this levy:

- Goods imported certifying the East African Community Rules of Origin
- Imported goods exempted from taxes as provided for in East African Community and industrial goods imported in Rwanda entitled to remission
- Pharmaceutical products
- Veterinary phytosanitary products
- Reproductive animals and reproductive plants
- Industrial machinery and equipment for energy and water sectors, as well as for investment projects with investment certificate.

CAPITAL GAIN

30% Sale or cession of commercial immovable property.

EXCISE DUTY

Mineral water	10%	Excise duty is levied on the following locally manufactured products namely, beers, lemonades, cigarettes, wines, spirits and mineral water, as well as telephone communication provided by telephone communication companies operating in Rwanda.
Fruit juice	5%	
Soda or lemonade	39%	
Beer	60%	
Wine	70%	
Brandies, liquors and whisky	70%	
Cigarettes	150%	
Vehicles with an engine of 1500 cc	5%	
Vehicle with an engine of 1500 cc–2500 cc	10%	
Vehicles with an engine capacity above 2500 cc	15%	
Fuel and lubricants	76%	
Powder milk	10%	

DECENTRALIZED TAXES

Businesses are required to pay two types of decentralized taxes, namely: *Trading license* and *cleaning fees*. Decentralized taxes are paid at the district office of the RRA where the business is registered.

Trading license

The tax period for the trading license tax starts on January 1 and ends on December 31. If taxable activities start after January, the taxpayer pays trading license fees 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 license tax is paid for a whole year, even though taxable activities do not occur throughout the year.

The trading license tax rate is different for VAT registered and non-VAT registered taxpayers. Non-VAT-registered taxpayers pay the trading license taxes depending on the type of activity and location and rates range from 40,000 RWF to 240,000 RWF. Registered VAT-taxpayer pay trading license according to the following table:

Turnover	Tax due
From 1 RWF to 40,000,000 RWF	60,000 RWF
From 40,000,001 RWF to 60,000,000 RWF	90,000 RWF
From 60,000,001 RWF to 150,000,000 RWF	150,000 RWF
Above 150,000,000 RWF	250,000 RWF

Please note that taxpayers who sell goods or services exempted from VAT but whose turnover is equal to or greater than twenty million RWF (20,000,000 RWF) pay the trading license tax in the same manner as taxpayers registered for VAT.

More information: <https://www.rra.gov.rw/index.php?id=66>

Type of Decentralized Taxes	Rate	Notes
TRADING LICENSE		
	Non-VAT registered 40,000 RWF– 240,000 RWF	The basic trading license is provided by the council of the district, town or Kigali city where taxpayers are based and depends on type of activity. The trading license fee for VAT-registered businesses depends on the company turnover. The duty sticker issued shall be posted in plain view at the entrance to the establishment where the operations which it relates are carried on.
	VAT registered 60,000 RWF– 250,000 RWF	Declaration: The tax period for the trading license tax starts on January 1st and ends on December 31st. If taxable trading activities start after January, the taxpayer pays trading license tax equivalent to the remaining months of the year including the one in which the activities started.
CLEANING FEES		
	Depends on district office and type of activity	Cleaning fees is paid by any person who commences a profit-oriented activity in Rwanda. Declaration: It must be paid before the 15th day of every month at the RRA district office in the district where the business is registered.

4 | How to declare and pay taxes?

The easiest way to arrange your taxes in Rwanda is through the online declaration and payment system. Business owners or their accountant will need to visit to the RRA headquarters to register and obtain online log-in details. Subsequently, declarations are made on the website of RRA and payment can be made through online banking systems. It is also possible to pay taxes a branch of the bank where your business account is based. Other banks will likely charge a service fee for the tax payments. It is highly recommended for foreign business owners to involve an accountant to check declarations before filing in order to prevent penalties.

Declarations

RDB registration results in the legal obligation to file declarations indicated by your TIN number. Tax declaration is a must for all registered taxpayers: it does not matter whether revenues or profits were zero in the fiscal year under review. Moreover, if your business incurred a loss, you should also make a declaration relating to the loss incurred at the nearest RRA offices. If a business declares losses for five following years, RRA will advise to close the business.

Taxpayers with a turnover twenty million Rwandan Francs (20,000,000 RWF) should declare losses on a yearly basis. The yearly balance is calculated on the basis of losses incurred and profits made over a continuous period of five years. On the basis of the yearly balance, losses can be deducted from the taxes to be paid on profits to RRA. This policy allows taxpayers to grow their business to a profitmaking stage.

Online facilities

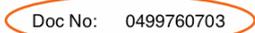
The easiest way to arrange tax matters is online via the RRA website and any online bank platform supporting RRA payments. E-tax is the system used specifically the “e-filing” (online filing) for centralised taxes. It is not possible to declare decentralised taxes via this system. E-tax enables you to complete your declaration online. In order to be able to use the online platform, one needs to request a password from the RRA office; the company TIN is the username. After filing a declaration, you can download a RRA ‘contribution acknowledgement’ receipt allowing for online payment of taxes. Most banks enable direct RRA payments of centralized and decentralized taxes using the document number on “contribution acknowledgment receipts.”

The Rwanda Automated Local Government Taxes Management System (RLGMS) is the online system used to declare and pay decentralized taxes. The system is used specifically for decentralised taxes and hence, it is not possible to declare and pay centralised taxes. In order to use this system, you can obtain a password from the RRA district office and your username is your company TIN number. The log-in details are sent via text-message to your registered mobile phone number. Similar to the E-tax system, you will receive a ‘contribution acknowledgement’ receipt allowing for online payment of taxes via your online bank platform.

Mobile facilities

Mobile declaration (M-declaration) making declaration using your mobile phone. A taxpayer has to register his/her phone number at the RRA office and use the same number to make his/her declaration by dialing *800# following the instructions. Only businesses with turnover below 12 million Rwandan Francs (12,000,000 RWF) can use M-declaration. Mobile Money (MoMo) and MobiCash can be used to pay taxes using your phone.

Contribution Acknowledgement receipt

 Republic Of Rwanda		Contribution Acknowledgement		Rwanda Social Security Board		
Full Name :		ENF PLAN ID: -		Center Name: GASABO TC		
		RSSB Number: 311656660000Z				
TIN:	Contribution Type: MATERNITY			Doc No: 0499760703		

5 | Interests, penalties and fines

The RRA distinguishes between interests, penalties and fines. Interest rates are a fixed 1.5% on due tax payments. Penalties are imposed following a late tax declaration or payment. Penalty amounts are fixed according to the taxpayer category based on company turnover. Fines are imposed following a late declaration or payment of taxes or a late payment of fines previously imposed. Fines are calculated on the basis of percentage categories and increase along with the duration of the delay.

Taxpayers are able to request an extension of the declaration deadline to the RRA Commissioner General. If such a request is approved, interests, penalties and fines are not applicable.

Interest on late payment

- Interest rate is fixed at 1.5% for late payment calculated on a monthly basis counting from the day after which the tax should have been paid until the day of payment.
- Interest paid for late payment shall not exceed one hundred percent (100%) of the amount of tax.

Fines

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

- not to submit a tax declaration on time;
- not to submit a withholding tax declaration on time;
- not to withhold tax;
- not to provide proofs required by the Tax administration;
- not to cooperate with a tax audit;
- not to communicate on time powers or appointment entrusted to him or her
- not to comply with the obligation to register
- not to keep books and records of controlled transactions
- to obstruct or attempt to obstruct the activities or duties of the Tax administration
- not to comply with any requirements provided for in specific laws governing taxes if no provision of such laws provides for a sanction.

Administrative penalties

If a taxpayer has not declared in the required time limits provided by law, a taxpayer is liable to declare and pay tax with an administrative penalty as follows:

Penalties	Turnover
100,000 RWF	Equal or less than 20,000,000 RWF
300,000 RWF	Exceeds 20,000,000 RWF
500,000 RWF	If the taxpayer was informed by the Tax administration that he or she is in the category of large taxpayers.
500,000 RWF	If a taxpayer with turnover above 400,000,000 RWF fails to submit certified annual tax declarations and financial statements. The fine is paid every month until a taxpayer submits them. This exclude distributors of cements, soda and lemonade and foreign exchange bureau.

Please note that the fines rapidly increase when a taxpayer makes the same mistake again within a certain period of time:

- If the taxpayer makes the same mistake/violation twice in five years, the basic fine is doubled. Moreover, if the same mistake/violation happens again within the period of five years, the imposed fine will be four times the basic administrative fine.
- A specific rule is applicable to the violation of failing to keep books and records of controlled transactions. In this specific instance, the previously imposed administrative fine is doubled.

Administrative fine for non-declaration and late payment

If a taxpayer has neither declared nor paid tax in the required time limits provided by law, a taxpayer is liable to declare and pay tax with an administrative fine as follows:

Fine on tax due	Time limit for declaration and payment
20 %	Exceeding 30 days
40 %	Period ranging 31 to 60 days
60 %	More than 60 days

Administrative fine for non-payment of tax on time

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

Fine on tax due	Time limit for payment
10 %	Exceeding 30 days
20 %	Period ranging 31 to 60 days
30 %	More than 60 days