



# Paying Taxes in Rwanda

## A guide for Foreign Investors



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## About TRAIDE Rwanda

This report has been written by TRAIDE Rwanda. TRAIDE is a trade facilitation program commissioned by the Embassy of the Kingdom of the Netherlands in Rwanda. The program aims to increase sustainable trade and investments between Rwanda and the Netherlands.

TRAIDE enables (Dutch) companies to do responsible business in Rwanda. We identify business opportunities, support, and promote trade and investments between Rwanda and the Netherlands, and contribute to local private sector development. We are active in various sectors such as agriculture, renewable energy, circularity, and digitalisation. Activities include the development of business opportunity reports, matchmaking services, support with responsible business conduct and investment cluster development.

Interested to learn more? Please get in touch via [rwanda@traide.org](mailto:rwanda@traide.org) or visit our website ([www.traide.org](http://www.traide.org)) and LinkedIn page ([www.linkedin.com/company/traide-foundation](http://www.linkedin.com/company/traide-foundation)).

# 1 | Introduction

To understand the tax system for companies in Rwanda, you need to understand the two main types of tax: centralized tax and decentralized tax. Taxes are collected and managed by the Rwanda Revenue Authority (RRA). The majority of taxes are paid at the RRA; a few are paid at the Rwanda Social Security Board (RSSB).

Opening a business in Rwanda is a comparatively straightforward process: businesses can be registered less than 24 hours through the Rwanda Development Board's (RDB) online portal and cafes that have services of IREMBO. However, there are certain things every foreign entrepreneur or investor should know before opening a business in Rwanda. For example, many business owners do not realize that after registration at the RDB, one is automatically registered as a taxpayer and needs to start reporting to the RRA, the national agency responsible for collecting and accounting for taxes and revenues. As mentioned in our guide on how to *Open/Close a Business in Rwanda*, after registration at the RDB, the taxpayer is automatically registered for income tax. You can find the report on how to *Open/Close a Business in Rwanda* and other reports on our website <https://www.traide.org/publications/open-and-close-business/>.

## Abbreviations and acronyms

ATAR	Association of Tax Advisors of Rwanda
BRC	Business Registration Certificate
CIF	Cost Insurance Freight
CIT	Corporate Income Tax
CPA	Certified Public Accountant
EAC	East African Community
EBM	Electronic Billing Machine
ICPAR	Institute of Certified Public Accountants of Rwanda
MoMo	Mobile Money
PAYE	Pay As You Earn
PIT	Personal Income Tax
RDB	Rwanda Development Board
RLGMS	Rwanda Automated Local Government Taxes Management System
RRA	Rwanda Revenue Authority
RSSB	Rwanda Social Security Board
TIN	Tax Identification Number
VAT	Value Added Tax

The main purpose of this report is to shed light, in a clear and concise manner, on Rwandan tax policies, procedures, and yearly requirements, as well as different types of taxes, and related topics such as declarations and payments, interests, penalties, and fines.

TRAIDE published a similar report in 2019, which has been updated in July 2022. Please note that certain numbers and information might become outdated. We therefore encourage all foreign investors to consult with the RRA, their tax advisor or accountant on new trends and changes in the Rwandan tax system, and implications for their business.

## 2 | Tax obligations after business registration at the Rwanda Development Board (RDB)

Once a business has been successfully registered, the owner will receive a Business Registration Certificate (BRC) with a Tax Identification Number (TIN). The TIN indicates that you have become a taxpayer, with all relevant taxpayer rights and obligations. It is utterly important to note that tax obligations arise automatically after business registration at the RDB. In addition, it is important to note that the TIN number equals company number.

Every registered taxpayer is required to declare their taxes on an annual basis to the tax authorities, at the RRA office where your company is registered, no later than March 31.<sup>1</sup> An annual tax declaration is required regardless of whether the registered business is active or inactive. And if a business is inactive or no profits were realized, the company should declare 'zero' to avoid unnecessary penalties.

Once your business is registered, you have to wait until the following financial year in March to declare and pay taxes. A company only declares and pays according to the annual turnover that was received during the period in which the business has been registered in Rwanda. If your business did not generate any income or turnover, you should declare 'zero' and pay no tax.

<sup>1</sup> <https://www.rra.gov.rw/index.php?id=31>

## 3 | Paying taxes at the Rwanda Revenue Authority: centralized versus decentralized taxes

This section discusses the different types of tax in Rwanda (3.1 Centralized taxes, 3.2 Decentralized taxes). The following section provides an overview of the ways in which taxes can be paid (4. How to declare and pay taxes at RRA).

There are two types of tax in Rwanda handled by RRA offices, namely (1) centralized and (2) decentralized. Note that the registration of a business at RDB automatically leads to obligations for tax declaration (and payment) for both types of tax.

Immediately after registering a company at the RDB, Corporate Income Tax (CIT) which is a centralized tax will be payable. After registration at RRA, your company will need to declare other centralized and decentralized taxes, too.

Centralized taxes are those collected and managed at a national level and vary depending on the type and size of the business.

Decentralized taxes are managed by local government through the RRA. These taxes vary per district and location within a district (e.g., commercial areas pay more than housing areas within the same district). Moreover, to be able to pay *decentralized* taxes such as trading license tax and cleaning fees, businesses need to first register by either:

- visiting the decentralized taxes department at the RRA headquarter in Kigali-Kimihurura;
- or visiting one of the RRA district offices from where your business is located;
- or going online and registering via E-tax, depending on the company address used for registration <https://etax.rra.gov.rw/signUp>.

### 3.1 CENTRALIZED TAXES

The applicable tax regime depends on the annual turnover of your business. Generally, foreign investors will be required to declare and pay Corporate Income Tax (CIT), Personal Income Tax (PIT), and Value Added Tax (VAT). Companies with employees will also be required to declare and pay Pay As You Earn (PAYE) tax and in some cases Withholding Tax.

#### 3.1.1 Corporate Income Tax (CIT)

Corporate Income Tax (CIT) is levied on profits made by a business. Some entities are exempted from paying CIT, such as those that carry out activities of a religious, charity, humanitarian, scientific or educational nature, unless revenues exceed expenses. More and up-to-date information on CIT can be found at <https://www.rra.gov.rw/index.php?id=30>.

#### 3.1.2 Personal Income Tax (PIT)

Personal Income Tax (PIT) is a type of centralized tax levied on income received by individual who is a resident taxpayer. The tax payable is in respect of income from both domestic and foreign source. Non-residents are also liable to pay income tax, although only in respect of earnings sourced in Rwanda.<sup>2</sup>

**Table 1. INCOME TAX RATES PER ANNUAL INCOME RANGES**

Annual income	Tax rate
0–360,000	0%
360,001–1,200,000	20%
1,200,001 and above	30%

The income taxes are paid on employment income, business profits, and investment income. More information on PIT can be found at <https://www.rra.gov.rw/index.php?id=31>.

<sup>2</sup> <https://www.rra.gov.rw/index.php?id=31>

### 3.1.3 Pay As You Earn (PAYE)

PAYE is paid by the company and levied on all kinds of remuneration, as well as allowances paid to employees (i.e., wages, salaries, sick pay, medical allowances, pension payment). The amount paid depends on the taxable income of employees. More information on PAYE can be found at <https://www.rra.gov.rw/index.php?id=32&L=872>.

**Table 2. PAYE RATES PER MONTHLY INCOME RANGE**

Monthly taxable income	Rate
0 – 30,000 RWF	0%
30,001 RWF – 100,000 RWF	20%
100,001 RWF and above	30%
Casual labour earning above 30,000 RWF	15%
Casual labour below 30,000 RWF	0%

### 3.1.4 Withholding Tax

Withholding Tax is levied on the payments made by resident individuals or resident entities including tax exempt entities. There are three rates: 15%, 5% and 3%. The rate of 15% is paid on income received by a non-registered business or registered business without proof of their most recent income tax declaration. It applies to the following: dividends, interest, royalties, service fees, performance payment made to artists, lottery and other gambling activities (*Tax Handbook 2019*: p. 250) [https://www.rra.gov.rw/fileadmin/user\\_upload/rra\\_tax\\_handbook\\_november\\_2019.pdf](https://www.rra.gov.rw/fileadmin/user_upload/rra_tax_handbook_november_2019.pdf). 5% Withholding tax is paid for goods imported for commercial use and it is paid at the custom on the cost insurance freight value before the goods are released by customs. Which 3% is retained on payment or public institutions to those who supply goods and services basic on public tenders. More information on Withholding Tax can be found at <https://www.rra.gov.rw/index.php?id=187&L=582>.

### 3.1.5 Value Added Tax (VAT)

Article 3 of the law (LAW N°37/2012 OF 09/11/2012 ESTABLISHING THE VALUE ADDED TAX) indicates that Value Added Tax (VAT) is charged on two types of items: (1) taxable goods and services, and (2) taxable imported goods and services. The rate of VAT is either 0% or 18%, depending on the category of the goods or services. On goods or services, VAT is paid by the taxpayer who supplied the goods; in the case of imported goods or services, it is paid by the importer (excluding exempt goods and services). The list of exempted goods and services can be found here <https://www.rra.gov.rw/index.php?id=183>.

Goods and services rated at 0% are listed in Article 5 of the law. Some of these are exported goods and services, transportation services of goods in transit in Rwanda to other countries (including related services), and aircraft benzene. Article 6 of the law discusses the services and goods which are exempt from VAT. It includes services to supply clean water; services ensuring environmental treatment for non-profit-making purposes, except for sewage pumping-out services; goods and services related to health, such as equipment for people with disabilities.

Article 18 of the law discusses the computation of VAT: tax is calculated by deducting (1) the input tax allowed to the taxpayer under Articles 15, 16, and 17 of this law during the taxation period from (2) the total output tax payable in respect of taxable goods or services supplied or considered as if it was paid by the person in the taxation period.

All VAT-registered taxpayers have to issue invoices with the Electronic Billing Machine (EBM). Which they can obtain during their process of registration at the RRA. This machine helps the taxpayer to print RRA certified invoices and send sales data to the RRA. Some taxpayers confuse the Electronic Invoice System (EIS) with tax: EIS is not a type of tax, but rather helps to improve book-keeping and the collection of VAT. Every taxpayer should issue EIS invoices to their buyers for every sale they make. Please note, that this implies that for everything you purchase as a company you should receive the EBM receipt. More information about EBM can be found in our *How to open/close a business* report (<https://www.traide.org/publications/open-and-close-business/>).

#### VAT refund

The law states that if, during a particular prescribed taxation period, input tax exceeds output tax, the Commissioner General will refund the supplier the due amount to which the supplier stands in credit by reason of the excess, on receipt of the relevant tax return document within thirty (30) days (one day after the expiry of the prescribed period for tax declaration).

After receipt of proof of the last outstanding tax declaration, prior to payment, the Commissioner General may order verification of the claim for refund or deduction submitted to them. In such a case, the period for the response to be communicated cannot exceed three (3) months from the date when the claim was lodged. Article 23 of the law discusses the documentation of invoices, credit, and debit notes. A VAT-registered person who sells taxable goods or services must, at the time of the supply, issue the recipient with an original invoice. Article 24 of the law says that VAT-registered persons are obliged to use a certified electronic billing machine (EBM) that generates invoices, indicating the tax as agreed by the tax administration.

Article 25 of the law discusses the declaration of VAT whereby within fifteen (15) days after the end of the period of the VAT, a registered taxpayer must submit a VAT declaration in accordance with forms and formalities determined by the Commissioner General.

For a taxpayer whose annual turnover is equal to or less than 20,000,000 RWF, the declaration is done fifteen (15) days after the end of the quarter. Alternatively, you may wish to opt for a monthly declaration at RRA.

**A registered taxpayer must submit a VAT declaration...**

... whether he/she made sales or not	... whether he/she is claiming a refund	... whether the profit is zero or not
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### 3.1.6 Infrastructure Development Levy

The Infrastructure Development Levy is a type of tax that is payable on imported goods. They are exemption for goods imported from within East African Community (EAC) and those come outside the EAC which the rate of this tax is 1.5%.

### 3.1.7 Excise Duty

This type of tax applies to certain locally manufactured goods, as well as their imported equivalents. More details on the rate of duty varies according to the category of the product, can be checked in the following below Table 3: Overview of the centralized taxes.

**Table 3. OVERVIEW OF CENTRALIZED TAXES**

Type of centralized tax	Rate	Notes
<b>Corporate Income Tax (CIT)</b>	<b>30%</b>	Tax paid by any company registered at RDB or an individual person registered at RDB with a turnover exceeding 20,000,000 RWF. The tax is levied on business profits received by entities.  <b>Declaration and payment</b> 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.
<b>Personal Income Tax (PIT) lump sum regime</b>	<b>0%</b> <b>20%</b> <b>30%</b>	For a company with a taxable income (profit) of between 0 RWF and 360,000 RWF For a company with a taxable income (profit) of between 360,001 RWF and 1,200,000 RWF For a company with a taxable income (profit) above 1,200,001 RWF  <b>Declaration and payment</b> For the first year of registration, PIT is declared and paid no later than March 31 of the following year. Subsequently, PIT is declared and paid on a quarterly basis before the deadlines of June 30, September 30, December 31 and March 31.  Lump sum regime taxes can be declared using M-declaration by dialling *800# or using E-tax, but you need a Rwandan ID card to be able to use M-declaration.
<b>Pay As You Earn (PAYE)</b>		Tax paid by businesses employing one or more employee. Every employer is legally responsible for registering 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 of the following month. In the case of engaging casual labor for fewer than 30 days during a particular tax year, the employer shall withhold 15% of the taxable employment income of the labor. The first 30,000 RWF of the income earned is taxed at 0%.  <b>0%</b> 0 – 30,000 RWF <b>20%</b> 30,001 RWF – 100,000 RWF <b>30%</b> > 100,000 RWF



Type of centralized tax	Rate	Notes
<b>Withholding Tax</b>	<b>15%</b>	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 except where one can prove that such services cannot be provided by Rwandan residents.
	<b>5%</b>	Withholding Tax of 5%, levied on the value of goods imported for commercial use, needs to be paid at customs on the Cost Insurance and Freight (CIF) value before clearance.
	<b>3%</b>	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.
	<b>15%</b>	Withholding Tax of 15% is levied on the following payments made by resident individuals' or resident entities, including: <ol style="list-style-type: none"> <li>1. Dividends, interests, and royalties.</li> <li>2. 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.</li> <li>3. Services provided by a non-registered person at RRA or RDB, meaning they do not pay VAT and are part of the informal economy.</li> <li>4. Lottery prizes and other gambling income.</li> </ol> <p><b>Declaration</b></p> <p>Withholding Tax is declared and paid within 15 days following the month the tax was withheld.</p>
<b>Infrastructure Development Levy</b>	<b>1.5%</b>	All imported goods (from outside EAC), except those exempted under the law, are subject to a levy of 1.5% on the customs value of imported goods. Goods that are exempted from this levy include: <ul style="list-style-type: none"> <li>• Goods imported certifying the EAC Rules of Origin.</li> <li>• Imported goods exempt from taxes, as provided for in the EAC, and industrial goods imported to Rwanda entitled to remission.</li> <li>• Veterinary phytosanitary products.</li> <li>• Industrial machinery and equipment for the energy and water sectors, as well as for investment projects with an investment certificate.</li> </ul>
<b>Excise Duty</b>		Is levied on specific manufactured products, including: <ul style="list-style-type: none"> <li><b>10%</b> Mineral water</li> <li><b>5%</b> Fruit juice</li> <li><b>39%</b> Soda or lemonade</li> <li><b>60%</b> Beer</li> <li><b>70%</b> Wine</li> <li><b>70%</b> Brandy, whisky and other types of liquor</li> <li><b>150%</b> Cigarettes <ul style="list-style-type: none"> <li><b>5%</b> Vehicles with an engine capacity of 1,500cc</li> <li><b>10%</b> Vehicles with an engine capacity of 1,500cc to 2,500cc</li> <li><b>15%</b> Vehicles with an engine capacity above 2,500cc</li> </ul> </li> <li><b>76%</b> Fuel and lubricants</li> <li><b>10%</b> Powder milk</li> </ul>
<b>Value Added Tax (VAT)</b>	<b>18%</b>	VAT is generally designed as a tax on final consumption. Every person who consumes taxable goods and 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. VAT is declared and paid within 15days following the month/quarter during which tax as collected.

## 3.2 DECENTRALIZED TAXES

Businesses are required to pay two types of decentralized taxes, namely trading license tax and cleaning fees. Decentralized taxes are paid at the district office of the RRA where the business is registered, online via the RDB online portal or agents of Irembo platform (<https://irembo.gov.rw>).

### 3.2.1 Trading license tax

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 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. Trading taxes are registered during registration with the RRA at the district office. All companies (both those that pay VAT and those that do not) must pay the trading tax.

The trading license tax rate is different for VAT-registered and non-VAT-registered taxpayers. Non-VAT-registered taxpayers pay trading license taxes depending on the type of activity and location and rates, ranging from 40,000 RWF to 240,000 RWF. Please note that taxpayers who sell goods or services that are exempted from VAT but whose annual turnover is equal to or greater than 20,000,000 RWF pay the trading license tax in the same manner as taxpayers registered for VAT. Registered VAT taxpayers pay the trading license according to the turnover demonstrated in Table 4 and is *not* dependent on location. More information on the Trading license tax can be found at <https://www.rra.gov.rw/index.php?id=66>.

**Table 4.** TRADING LICENSE TAX RATES AND BANDS

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

### 3.2.2 Cleaning fees

Cleaning fees are government fees used for public cleaning and the collection of waste. They are paid on a monthly basis by any person or entity who commences a profit-oriented activity in Rwanda. The fees are paid no later than the 15th day of the month to the RRA district office; it is also possible to pay it for the full year, in advance, at the start of the year. The amount paid by companies varies between 500 RWF to 10,000 RWF, depending on the location. It is advised to consult other people working in the location where your business is based or the RRA office to know how much you are likely to pay. For more information, visit <https://tax-handbook.rra.gov.rw/handbook/local-government-fees/>.

**Table 5.** SUMMARY OF THE TWO TYPES OF DECENTRALIZE TAXES

Types of decentralized tax	Rate	Notes
<b>Trading license</b>	Non-VAT registered: <b>40,000 RWF – 240,000 RWF</b>	The basic trading license is provided by the council of the district, town or city where taxpayers are based and depends on the type of activity.
	VAT registered: <b>60,000 RWF – 250,000 RWF</b>	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 to are conducted.  <b>Declaration</b> 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.
<b>Cleaning fees</b>	Depends on district office and type of activity	Cleaning fees are paid by any person who commences a profit-oriented activity in Rwanda.  <b>Declaration</b> 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 at RRA

The easiest way to arrange your taxes in Rwanda is through the online declaration and payment system. Business owners or their accountants will need to visit the RRA headquarters to register and obtain online log-in details. Subsequently, declarations are made on the website of RRA <https://www.rra.gov.rw>, and payments can be made through online banking systems. It is also possible to pay taxes at a branch of the bank where your business account is based – other banks will likely charge a service fee for tax payments. We recommend that for foreign business owners should use the services of an accountant to check declarations before filing to prevent penalties or errors. In annex 1 and 2 you find more information on how to select the right tax advisor or accountant.

### 4.1 DECLARATION

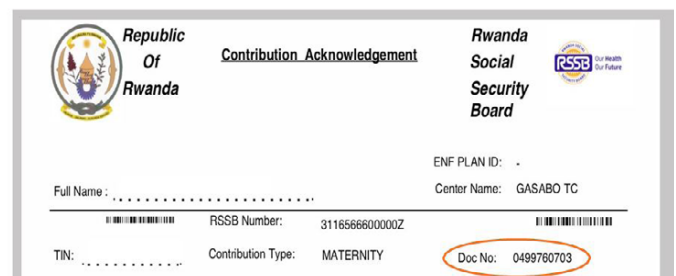
RDB registration results in the legal obligation to file declarations indicated by your TIN number. Tax declaration is essential for all registered taxpayers: it does not matter whether revenues or profits were zero in the fiscal year under review. Moreover, if your business incurred a loss, you should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

#### 4.1.1 Online facilities

The easiest way to arrange tax matters is online via the RRA website <https://www.rra.gov.rw> and any online bank platform supporting RRA payments. E-tax is the system used, within which specifically the e-filing system (online filing) is used for centralized taxes. It is not possible to declare decentralized taxes via this system. E-tax enables you to complete your declaration online. In order to be able to use the online platform, you will need to request a password from the RRA office; the company TIN is the username. After filing a declaration, you can download an 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. For more information, visit <https://etax.rra.gov.rw>.

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 decentralized taxes; hence, it is not possible to use it to declare and pay centralized taxes. In order to use RLGMS, you can obtain a password from the RRA district office; your username is your company TIN number. The log-in details are sent via text message to your registered mobile phone number. Like the E-tax system, you will receive a 'contribution acknowledgement' receipt allowing for online payment of taxes via your online bank platform. For more information, visit [https://localgov.rra.gov.rw/change\\_language/en](https://localgov.rra.gov.rw/change_language/en).

**Figure 1.** SAMPLE ACKNOWLEDGEMENT OF CONTRIBUTION RECEIPT RECEIVED AFTER DECLARATION



The image shows a sample 'Contribution Acknowledgement' receipt from the Republic of Rwanda. The receipt is titled 'Contribution Acknowledgement' and is issued by the Rwanda Social Security Board (RSSB). It includes the following information:

- Full Name: .....
- Center Name: GASABO TC
- ENF PLAN ID: -
- RSSB Number: 31165666000002
- TIN: .....
- Contribution Type: MATERNITY
- Doc No: 0499760703 (circled in red)

#### 4.1.2 Mobile facilities

Businesses that have an annual turnover of less than 12,000,000 RWF can use M-declaration (Mobile declaration). This refers to paying taxes via a mobile phone using Mobile Money (MoMo) or MobiCash. Taxpayers must register their phone number at the RRA office and use the same number to make their declaration by dialling \*800# and following the instructions.

## 5 | Interest and penalties

This section discusses different ways in which companies that fail to meet their tax-related obligations can be penalized in Rwanda. The RRA distinguishes between interests, penalties, and fines. Interest rates are fixed at 1.5% on due tax payments. A penalty can be imposed after a late tax declaration or payment. Penalty amounts are fixed according to the taxpayer category and based on company turnover. Fines are imposed following a late declaration or payment of taxes or late payment of fines previously imposed.<sup>3</sup> Fines are calculated based on percentage categories and increase along with the duration of the delay. A taxpayer who has failed to submit a tax declaration and payment within the required deadline must still declare and pay and is subject to fines and interest for late payment.

**A fine is payable for late payment, depending on the period, as follows:**

- Twenty per cent (20%) of the tax due if the time limit for declaration and payment has not been exceeded by thirty (30) days.
- Forty per cent (40%) of the tax due if the time limit for declaration and payment has been exceeded by thirty (30) days but has not been exceeded by sixty (60) days.
- Sixty per cent (60%) of the tax due if the time limit for declaration and payment has been exceeded by sixty (60) days.

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

### 5.1 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 100% of the amount of tax.

### 5.2 FINES

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

- fails to submit a tax declaration on time
- fails to submit a Withholding Tax declaration on time
- fails to withhold tax
- fails to provide proof required by the tax administration
- fails to cooperate with a tax audit
- fails to communicate on time
- fails to comply with the obligation to register
- fails to keep books and records of controlled transactions
- obstructs or attempts to obstruct the activities or duties of the tax administration
- fails to comply with any requirements provided for in specific laws governing taxes if no provision of such laws provides for a sanction.

<sup>3</sup> <https://www.rra.gov.rw/index.php?id=198>

### 5.3 ADMINISTRATIVE PENALTIES

If a taxpayer has failed to declare the information in the required time limits provided by law, they are liable to declare and pay tax with an administrative penalty, as follows:

**Table 6.** ADMINISTRATIVE PENALTIES AND TURNOVER

Penalties	Turnover
100,000 RWF	Equal to 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 a 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 excludes distributors of cement, soda and lemonade, and foreign exchange bureaux.

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

- If the taxpayer makes the same mistake/violation twice in five years, the basic fine is doubled. If the same mistake/violation happens a third time within 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.

### 5.4 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, they are liable to declare and pay tax with an administrative fine, as follows:

**Table 7.** FINES AND TIME LIMITS APPLICABLE TO NON-DECLARATIONS

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

### 5.5 ADMINISTRATIVE FINE FOR NON-PAYMENT OF TAX ON TIME

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

**Table 8.** FINES AND TIME LIMITS APPLICABLE TO LATE PAYMENTS

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

## 6 | Other taxes paid at Rwanda Social Security Board (RSSB)

Alongside the taxes that are paid for at RRA, there are a few other types of taxes that are paid at RSSB. These taxes are for social welfare, health and security of employees. These taxes can also be declared and paid using the e-tax system.

There are three types of taxes paid at RSSB:

- **Pension:** contributions are paid to the RSSB at a rate of 6% of the employee's basic salary. The employer and employee usually pay 3% each.
- **Maternity leave:** contributions are paid to RSSB at a rate of 0.6% of the employee's gross salary. The employer pays 12 weeks of maternity leave and can ask the Government of Rwanda (GoR) for a reimbursement of six weeks' pay. Both the employer and employee usually contribute 0.3%.
- **Medical Aid:** contributions paid to RSSB represent 15% of the employee's gross salary and are paid by both the employer and the employee, usually at a rate of 7.5% each.

## 7 | Conclusion

The Rwandan tax system is well organized but is sometimes hard to navigate. It is advisable to acquire all relevant information about the system and its institutions before starting operations in Rwanda. The right accountants and tax advisors will help to manage tax-related activities and to avoid future issues related to tax. For more information, you can consult a tax advisor or accountant see annex 1 and 2. Up to date and more information you can find on the website of the RRA <https://www.rra.gov.rw>, EBCR <https://ebc-rwanda.org>, or dive into the tax handbook [https://www.rra.gov.rw/fileadmin/user\\_upload/rra\\_tax\\_handbook\\_november\\_2019.pdf](https://www.rra.gov.rw/fileadmin/user_upload/rra_tax_handbook_november_2019.pdf).

Some companies are penalized by RRA because of the negligence of their accountants. Therefore, it is important to monitor the work of your accountant. Nonetheless, we recommend that you make use of the services of an accountant, as companies without accountants usually struggle to understand the Rwandan tax system. You should also carry out regular checks to make sure your accountant has filed your taxes on time to avoid fines or penalties.

## Annex 1 | How to select the right tax advisor

Licensed tax advisors in Rwanda are governed by the Association of Tax Advisors of Rwanda (ATAR). ATAR is composed of tax advisors registered (licensed) with the Rwanda Revenue Authority (RRA). In addition, the Commissioner General rules N° 005/2020 of 05/08/2020 determine the conditions and functioning of qualified professionals who represent taxpayers. Any tax advisor registered with the RRA can be a member of the association. Tax advisors are issued a license that remains valid for three (3) years, renewable any time the person fulfils the requirements. The key services of ATAR are financial planning, mortgage advice, and investment advice. According to the law, the role of tax advisors is to prepare and submit taxpayers' tax declarations to the tax administration and represent the taxpayer in tax audits, appeals and other tax issues.

We recommend that foreign companies – especially in the beginning – should hire an advisor to help them become familiar with the tax system in Rwanda. To get the right tax advisor, consult ATAR, check with other foreign companies for recommendations, or use job advert platforms commonly used in Rwanda, such as 'Job in Rwanda' <https://www.jobinrwanda.com>. For more details about ATAR, visit <http://atar-rwanda.com>.



## Annex 2 | How to select the right accountant

The Institute of Certified Public Accountants of Rwanda (ICPAR) is the sole professional accountancy organization (PAO) mandated by law number 11/2008 with a broad mandate to grow and regulate the accountancy profession. Under this mandate, ICPAR is responsible for (1) the regulation of the profession, (2) admission of new members into the institute, (3) the registration and granting of practicing certificates to Certified Public Accountants (CPAs), (4) the monitoring of compliance with professional standards, (5) the investigation and discipline of its members, and (6) the delivery of accounting qualifications, programs, and examinations.

In collaboration with the Rwanda Revenue Authority (RRA), ICPAR shares a list of practitioners with the RRA, which the RRA in turn reviews, and requests each practitioner to apply to the RRA to become licensed as a tax advisor. Unlike that particular category, ICPAR members in both categories – Certificate in Accounting Technicians (CAT) and Certified Public Accountant (CPA), as per the ICPAR published list in the official gazette and on the ICPAR website – are equally qualified to undertake any accounting-related activity either as individual consultants or as employees of various organizations. Nonetheless, it is strongly recommended that organizations seek expert tax advice from individuals or organizations that are qualified to provide it.

A non-professional accountant – an individual who is not a member of any professional body – may not be able to uphold the highest standards of professional and ethical conduct required by professional accountants.

There are various ways in which an organization can select a competent accountant. For example, one could place an advert in the widely read newspapers or company websites indicating the required key competencies and qualifications. Here, it is key that CAT, CPA or any other professional qualification recognized by International Federation of Accountants (IFAC) is mentioned. An organization may also send that job advert to ICPAR, which also shares it with its members, requesting interested qualifying candidates to consider applying for that open position. Besides, we advise that you check with other foreign entrepreneurs for recommendations and get their experience on what works best. For more details, check the ICPAR website at <https://www.icparwanda.com>.



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