



# VAT Guide

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#### Section 1: Introduction

## **1.1 How to use this guide**

This guide is a guide to all the main VAT rules and procedures and will help you with most of the problems that you will meet when accounting for VAT. Not all of the information will apply to your business so please do not try to read the guide from cover to cover, just select the pieces of information which are relevant to your business circumstances.

In addition to this guide there are also notices that are specific to particular types of trade or circumstances (i.e. Imports, Exports, Keeping records and preparing accounts etc.)

## **1.2 Free information and help**

There are some features of VAT that arise less frequently or only affect certain types of business. Information to help you is available free of charge from the Taxpayer Services Unit in the RRA Headquarters in Kigali.

Written enquiries should be addressed to: -

The Taxpayer Services Unit  
c/o RRA  
BP 3987  
Kigali

## **1.3 Updates**

From time to time the VAT rules may change or it may be necessary to clarify guidance on a particular point or topic. The RRA will try to keep businesses up to date in relation to changes in the law or procedures by announcements in the media and by issuing updated notices and forms. However, the ultimate responsibility rests with the taxpayer to understand the law and account for tax to the RRA at the right time.

## Section 2: General Explanation of VAT

### 2.1 On what VAT is collected

VAT is a tax on consumer expenditure. It is collected on business transactions and imports.

Most business transactions involve supplies of goods or services. VAT is payable if they are: -

- supplies made in Rwanda
- by a person registered for VAT
- in the course or furtherance of business and
- are not specifically exempted or zero-rated.

Supplies made in Rwanda that are not specifically exempted are called *taxable supplies*.

A *taxable person* is an individual, firm, company, etc. which is, or is required to be, registered for VAT. A person who makes taxable supplies above certain value limits is required to be registered.

Supplies are outside the scope of tax collection if they are: -

- made by someone who is not a taxable person,
- made outside of Rwanda or,
- not made in the course or furtherance of business.

### 2.2 Liability to tax

There are two rates of VAT - a standard rate of 18% and a zero rate. No tax is payable on zero rated supplies but they are treated as taxable supplies in all other respects, including the right of the person making the supply to recover in full the VAT on their own business expenditure. Some supplies are exempt from VAT, which means that no tax is payable. However, a person making an exempt supply cannot recover any of the VAT they incurred in making that supply.

### 2.3 How VAT works

If you make standard rated supplies you have to account to the RRA for the tax due, or collected, on those supplies. This is known as your *output tax*. Normally, you charge this tax to your customers. If your customers are registered for VAT and the supplies are for use in their business the tax is their *input tax*. In the same way tax charged to you on your business inputs is your input tax.

As a person registered for VAT, you can reclaim from the RRA, or offset against tax due on your sales, as much of the VAT on your purchases and imports which relates to standard rate and zero rate supplies that you make. You cannot reclaim VAT that relates to any non-business activity or to any exempt supplies that you make.

At monthly intervals you must make a return to the RRA and pay the excess of your output tax over your input tax. If the input tax you have paid is greater than your output tax you may receive a repayment of VAT from the RRA.

## **2.4 Supplies**

### **2.4.1 Supplies of goods**

You supply goods if you pass the exclusive ownership of goods to another person. You also supply goods if you: -

- transfer them under an agreement such as a hire purchase agreement,
- provide water or any form of heat, power, refrigeration or ventilation,
- supply a major interest in land,
- transfer goods permanently out of the business for your private use.

You do not make a supply if you provide goods (such as overalls or tools) to employees solely for the purpose of their employment and make no charge.

### **2.4.2 Supplies of services**

You supply services if you do something, other than supplying goods, for a *consideration*. A consideration is any form of payment in money or in kind, including anything which is itself a supply. You also supply services if you :-

- lend goods to someone for use outside of your business,
- hire goods to someone,
- produce goods from someone else's material,
- use goods owned by the business outside of the business,
- agree, for a consideration, to refrain from doing something,
- agree to grant, assign or surrender a right for a consideration.

## **2.5 VAT Registration**

If you are in business making taxable supplies, the value of your taxable supplies is called your *taxable turnover*. If your taxable turnover exceeds certain limits you are a *taxable person* and should be registered for VAT. You must notify the RRA if your turnover exceeds the registration limits, failure to do so may result in a financial penalty. Currently the registration limit is RFr 15 million per annum or RFr 3.75 million per quarter.

Once you are registered for VAT you are known as a *registered person*.

Where a business sets itself up in such a way as to avoid registration for VAT the RRA has the power to direct that the persons running these activities to be treated as a *single taxable person* and be registered.

If you are resident abroad but have a business in Rwanda you may have to be registered for VAT.

## **2.6 Business and non-business**

It is very important to understand the difference between business and non-business activities: -

- you must account for VAT on all the taxable supplies you make by way of business - not just the things which you do in the course of your usual business activities.
- if you also carry out non-business activities it could affect the amount of tax you can treat as input tax. VAT charged on goods and services that you do not obtain for your business cannot be treated as input tax and you cannot reclaim it.

If you have no business activities you cannot be registered for VAT.

### **2.6.1 Business**

For the purposes of VAT business has a very wide meaning. It includes the way in which self-employed people carry on any trade, vocation or profession, as well as companies, earn an income. It also includes the activities of clubs and other recreational bodies.

In VAT terms, business means any continuing activity that is mainly concerned with making supplies to other persons for a consideration. The activity must have a degree of frequency and scale and must be continued over a period of time. Isolated transactions are not normally considered to be business for VAT purposes.

### **2.6.2 Non-business**

If you have any non-business activities you will not be able to reclaim all the VAT you are charged on your purchases. Purely private or personal activities are, of course, non-business. Many charities, voluntary bodies and non-profit making organisations have non-business activities.

For example these are all non-business activities for VAT purposes :-

- providing free services or information
- maintaining museums and parks (unless there is an admission charge)
- publicising religious or political events.

An activity that is carried out mainly as a hobby, such as stamp collecting, is not a business. However, if you start to sell items that you collect or have made on a regular and continuing basis then under the rules outlined above at 2.6.1 your hobby could become a business for VAT purposes.

Non-business activities are often financed from loans, grants or donations. As long as those making the loans, grants or donations receive no direct benefit in return, this income is not the consideration for any supply and is outside the scope of the VAT. A business whose main activities are non-business may still have some activities that are regarded as business for VAT purposes such as selling goods to raise funds. If the

turnover from these activities exceeds the registration threshold then the body should be registered for VAT.

## **2.7 Place of Supply**

To be within the Rwanda VAT system a supply must be made in Rwanda. Supplies made outside of Rwanda are outside the scope of Rwanda VAT. There are separate rules for working out the place of supply of goods and services and these are set out below.

### **2.7.1 Place of supply of goods**

The place of supply is the location of the goods when you allocate them to a customer's order. If the goods are in Rwanda when you allocate them then the supply is in Rwanda. This applies to goods for export as well as for goods for customers in Rwanda. If they are not in Rwanda when they are allocated then the supply is normally outside of Rwanda and therefore outside the scope of Rwanda VAT.

If you supply goods that are assembled or built for the first time on site, then the place of supply is where the assembly or building takes place.

### **2.7.2 Place of supply of services**

You supply services in the place where you belong (this is the basic rule of services) unless they are of a type where there are special place of supply rules. You belong where you have a business or some other fixed establishment, including a branch or agency. If you have no such establishment you belong where you usually live. In the case of a company that is where it is legally constituted. If you have an establishment in more than one country the supply takes place at the location of the establishment most directly concerned with the supply.

## **2.8 Imports, exports and free zones**

VAT is not only a tax on supplies made in Rwanda, it is also a tax on the importation or acquisition of most goods and services.

### **2.8.1 Imports**

When goods and services are imported into Rwanda VAT is due at the same rate as on a supply of those goods in Rwanda. VAT must be paid when you import the goods and before they are cleared from Customs. If you import services then you must account for VAT as if you supplied the service yourself. However, in the case of imported services you may not reclaim the VAT as input tax.

### **2.8.2 Exports**

If you export goods to a customer outside of Rwanda that supply is normally zero-rated provided that you fulfil certain conditions.

### **2.8.3 Free zones**

VAT is not due on the importation into a free zone of goods for storage and/or processing. Import VAT is due on goods removed from a free zone in to the rest of Rwanda and on goods used or consumed within the free zone. Where goods manufactured in a free zone are removed into the Rwanda for use in the owners business, as opposed to being sold or disposed of, VAT is due only on the value of any imported element of the goods.



## Section 3: Output Tax

### 3.1 Tax Value

The *tax value* of a supply is the value on which the VAT is due. The amount of tax is the tax value multiplied by the tax rate.

#### 3.1.1 General

Usually the tax value of a supply depends on what you are given in exchange for the supply. This is called the *consideration*. A consideration is any form of payment in money or in kind, including anything which is itself a supply. The consideration for a supply includes any payment that you are given to cover your costs in making the supply (i.e. an additional payment to transport goods to a specific location)

#### 3.1.2 Consideration wholly in money

If the consideration for a supply is wholly an amount of money, the tax value is based on that amount.

#### 3.1.3 Unconditional discounts

If you offer a customer an unconditional discount, and the customer pays the discounted amount, the tax value is based on the discounted amount.

#### 3.1.4 Discounts for prompt payment

If you offer a discount on the condition that the customer pays within a specific amount of time, the tax value is based on the discounted amount even if the customer does not take up your offer. However, if your terms allow the customer to pay by instalments then the tax value is based on the amount the customer actually pays.

#### 3.1.5 Contingent discounts

If you offer a discount on the condition that something happens later (for example, on condition that the customer buys more from you) the tax value is based on the full amount paid. If the customer later earns the discount, the tax value is then reduced and you can adjust the amount of tax by issuing a credit note.

#### 3.1.6 Consideration not wholly in money

If the consideration for a supply is not in money, or the consideration is partly in money and something else (as in part-exchange), the tax value of the supply is the monetary equivalent of the consideration. This should normally be calculated by reference to the price, excluding VAT, which a customer would have to pay for the supply if money was the only consideration.

#### 3.1.7 Values expressed in a foreign currency

For VAT purposes the value of any supply must be expressed in Rwandan Francs. If you need to convert a sum in a foreign currency into Francs the rate to be used must be the periodic Rwandan Central Bank rate, as notified, at the time of the supply or importation.

### **3.2 Packaging**

Normal and necessary packaging, including tins, bottles and jars are treated as part of the goods that it contains. The price that your customer pays is treated as a payment for the contents of the packaging alone. This means that if your contents are zero rated (i.e. flour, rice, etc.) zero-rating also applies to the packaging.

However: -

- If the packaging is more than is normal or necessary there is a mixed supply and VAT is due on the packaging. This applies to storage containers and other types of packaging that could be sold separately.
- If you make a separate charge for a container, tax is due and is based on the charge. This applies to a charge you make either when you send the container out or when it is returned. It also covers refundable deposits on containers (including bottles), but if you refund the deposit you may also refund the VAT.

### **3.3 Delivery charges**

If, when you supply goods, you make an arrangement to deliver them or to post them for delivery for an extra charge the extra charge constitutes a delivery service and is taxable. Your supply of the delivery service is standard rated if the goods are supplied to an address in Rwanda but zero rated if supplied elsewhere.

### **3.4 Hire purchase, conditional sale and credit sale**

*Hire purchase* occurs under an agreement for the hire of goods for periodic payments where the hirer has the option to purchase.

*Conditional sale* means the sale of goods where the price is payable by instalments. The goods remain the property of the seller until the full price is paid or another condition is met by the customer.

*Credit sale* is the sale of goods that immediately become the property of the customer but where the price is paid by instalments.

These are all supplies of goods and tax is due on their full value at the time the supply is made.

### **3.5 Samples of goods**

You may supply samples of your business supplies and this will not be a supply for VAT purposes providing the following conditions are met: -

- you make no charge for them,
- you supply them for a genuine business purpose as illustrative of a typical example of the product and,
- you supply to any person only one example of each product that is identical or not different in any material respect. If you supply more than one identical article, all but one is a supply for VAT purposes.

### **3.6 Gifts**

An article is a gift when the donor is not obliged to give it and the recipient is not obliged to do or give anything in return. Competition prizes are usually treated as gifts. A gift of goods is normally treated as a taxable supply and VAT is due on the cost of the goods.

If you offer someone a gift on the basis that they buy something from you then this is not deemed to be a true gift and VAT is due on the full value of the gift.

### **3.7 Disposal of business assets**

If you dispose of goods that form part of the assets of your business (for example you sell them, give them away or take them in to private use) this is considered a supply for VAT purposes and, where it is a taxable supply, you will have to account for VAT on the disposal.

### **3.8 Private use of goods**

When *goods* that belong to the business are put to private use outside the business, you make a taxable supply. This includes goods that you have produced yourself, as well as goods from your stock and any other business assets. Private use includes your own personal use of business assets. It also covers use outside the business by anyone else, such as an employee, a relative or a friend.

### **3.9 Loss of goods**

When goods are lost, stolen or destroyed: -

- if you have not supplied the goods tax is not due,
- if you have supplied the goods tax is due,
- if the goods are lost on their way to your customer and the contract makes the customer responsible for any loss before delivery tax is due,
- if damaged goods are surrendered to an insurer under the terms of an insurance policy tax is not due.

### **3.10 Cancellation charges**

If you make a cancellation charge when a customer cancels an order no tax is due because it is not a payment in respect of a supply.

However, if you are acting as an agent and make a charge to your customers for making for instance, a hotel reservation that charge is a consideration for a taxable supply even if the customer does not take up the hotel room.


### **3.11 Service charges and tips**

If you make a service charge it is standard rated. However, if a customer freely gives a tip over and above your total charge no VAT is due on the tip. It is outside the scope of VAT.

### **3.12 Government departments, local and regional organisations**

If you supply goods or services to government departments, local and regional organisations, embassies, foreign missions or international organisations in Rwanda you should charge and account for VAT in the normal way.

If you receive supplies from government departments, local or regional organisation you may be charged VAT.



## Section 4: Input tax

### 4.1 General

*Input tax* is the VAT you are charged on your business purchases and expenses.

Under normal circumstances you can reclaim input tax that relates to: -

- supplies you make which are standard or zero rated,
- supplies you make which are outside the scope of Rwandan VAT but that would be taxable if made within Rwanda.

You reclaim your input tax by deducting it from your output tax when you fill in your VAT return. If your input tax is greater than your output tax then you may reclaim the difference from the RRA.

You cannot however reclaim VAT you have been charged on: -

- motor cars,
- petroleum products (subject to certain rules),
- memberships of clubs, athletic bodies, entertainment expenses, etc.

If you incur input tax on making exempt supplies you may not be able to reclaim some or all of your input tax.

You should normally reclaim input tax on the VAT return for the period during which the suppliers tax point occurred (for instance if you have an invoice from a supplier dated 3 January you should claim the input tax on the return for the period 1-31 January) or, for imported goods, the date of importation.

If you are unable to reclaim the input tax in the correct period because you have not received the evidence required (a VAT tax invoice or Customs import documentation) you may reclaim it on a later return but not more than three years after the tax point occurred.

### 4.2 Evidence for claiming input tax

To reclaim the VAT you have been charged you must hold valid evidence that you have received a taxable supply. Valid evidence is considered to be: -

- a VAT tax invoice issued by a VAT registered trader. 'Pro-forma' invoices are not acceptable.
- A certified copy of the Customs import document showing the amount of VAT paid at importation.

It is your responsibility to ensure that when you make a purchase from a VAT registered trader that you obtain a valid tax invoice. Similarly if you import goods you should ensure that you receive a certified copy of the Customs import document.

### 4.3 Amount of input tax

If you can reclaim input tax in full the amount to reclaim will be the amount of VAT shown on, or included in, the VAT invoice from your supplier.

However, if you make exempt supplies you will not be able to reclaim input tax that relates to that portion of your supplies that are exempt. You must therefore be able to relate your expenses to the supplies that you make. While it is usually relatively simple to work out whether physical supplies have been used to make either taxable or exempt supplies it is not always easy to do this with overhead expenses (i.e. accountants fees, legal expenses, telephone expenses, etc.)

In this instance the normal method to be used to apportion your input tax is by carrying out the following calculation:-

$$\text{Total input tax} \quad \times \quad \frac{\text{value of taxable supplies}}{\text{value of total supplies}}$$

The resultant figure will be the total amount of input tax that can be claimed from the non-attributable input tax total.

### 4.4 VAT on goods and services not used for your business

VAT charged on goods and services that you do not obtain for your business is not input tax and therefore you cannot reclaim it. This includes goods and services: -

- for private use,
- supplied to you but for another person's business,
- supplied to someone else, even if you paid for them,
- supplied to your business but for use in connection with a non-business activity (see para. 2.6.2)

Some goods and services may be used only partly for business purposes. Common examples of these are:-

- telephone services,
- heating, lighting and water services,
- repairs, maintenance, furnishing etc., if a building is not used only for your business - for example if you carry on a business from home or live above your shop.

If you buy goods partly for business and non-business use (or private) purposes you should apportion the amount of tax claimed as input tax to accurately reflect the amount of business use to which the goods are put.

## **4.5 VAT paid on goods and service obtained before VAT registration.**

VAT paid on goods and services that you received before you were registered for VAT is not input tax. However, as soon as you become registered you may treat this as input tax providing you hold acceptable evidence of payment of the tax, i.e. a VAT invoice from a VAT registered trader or a certified copy of a Customs import entry.

You may only recover input tax incurred pre-registration up to six months prior to your registration for VAT.

The following rules apply to goods and services obtained prior to VAT registration:-

### **4.5.1 Goods**

You can treat as input tax the VAT on goods that you obtained or imported before you were registered if: -

- the goods were supplied by a registered person to the person who is now registered for VAT,
- the goods were obtained for the business which is now registered for VAT,
- the goods were obtained no more than six months before you were registered,
- the goods are still held or they have been used to make goods which are still held by the business.

### **4.5.2 Services**

You can treat as input tax the VAT on services which you received before you were registered if: -

- the services were supplied by a registered person to the person who is now registered for VAT,
- the services were obtained for the business which is now registered for VAT,
- the services were obtained no more than six months before you were registered,
- the services were used in the process of making goods which are still held by the business



## Section 5: Time of supply (tax point)

### 5.1 General

When you supply goods or services you need to be able to decide when the tax becomes due. The time when the tax becomes due is generally known as the *tax point*.

#### 5.1.1 Basic tax points

If you supply goods the *basic tax point* is usually: -

- the date when you send them to your customer or the customer takes them away. This includes supplies under hire-purchase, credit sale or conditional sale agreements,
- if the goods are not to be taken away, for example because they are built on site, the basic tax point is the date you make them available for your customer to use.

But, whether you supply goods or services the basic tax point is overridden if an actual tax point is created.

#### 5.1.2 Actual tax points

If you issue a VAT invoice or receive payment before the basic tax point the tax point for the amount you invoice or the amount you receive is the date you issue the invoice or receive the payment, whichever happens first. Payment can include payment by book entry, for example the offsetting of supplies or mutual debts. In this case the tax point is when the book entry is made.

Remember, that when an actual tax point is created by the issue of a tax invoice you must account for the VAT in your return for the period covering that tax point. You cannot delay accounting for VAT until you have received the payment.

### 5.2 Deposits

The function of most deposits is to serve as advance payments and will create actual tax points when they are received.

### 5.3 Continuous supplies of goods or services

If you supply services on a continuous basis (for instance a lawyer providing on-going advice) and receive payments regularly or from time to time there is a tax point every time you issue a tax invoice or receive payment, whichever happens first.

The same applies to regular supplies of goods such as water, gas and electricity.

## Section 6: VAT invoices

### 6.1 General

Whenever you supply standard rated goods or services you must issue a VAT invoice. This is a document containing certain information about what you are supplying. Paragraph 6.2 below sets out the details required. Your customers need VAT invoices to be able to reclaim as input tax the VAT you have charged them.

If your customer pays you in cash then you should record this clearly on the VAT invoice.

### 6.2 Information required on a VAT invoice

When you issue a VAT invoice it should show the following details:-

- the word “tax invoice” in a prominent place
- the invoice number
- your name, address and VAT registration number
- the date that the goods or services were supplied
- the date of issue of the invoice
- your customers name and address
- the type of supply (e.g. sale or rental, goods or services)
- a description which identifies the type of goods or services supplied
- the quantity of goods or the extent of the service
- the total charge made excluding VAT
- the amount of VAT
- the gross amount payable.

You will find an example of a simple VAT invoice at the end of this section.

### 6.3 Invoicing in a foreign currency

If you issue VAT invoices in a foreign currency (i.e. US\$, Euro, £) all values for VAT purposes must also be shown in Rwandan Francs. The rate of exchange applicable will be that published by the National Bank of Rwanda on the date of the invoice. VAT must be calculated on the Rwandan Franc value of the supply.

### 6.4 Invoicing zero rated or exempt supplies

If you issue a VAT invoice which includes supplies that are either zero rated or exempt you must ensure that those items show clearly that there is no VAT payable and their values must be totalled and shown separately.

### 6.5 Pro forma invoices

Pro forma invoices are often used to offer goods or services to potential customers. Such an offer may or may not be taken up and, unless payment is received, the goods or services will not be supplied.

If you use pro forma invoices in this way, they cannot be used as evidence to reclaim input tax, even if they clearly show all the details for a VAT invoice. You should ensure that such invoices are clearly marked 'THIS IS NOT A VAT INVOICE' or 'PRO FORMA'. If, after you have issued such an invoice, you actually supply the goods or services to your customer or receive payment, you must issue a proper VAT invoice.

## **6.6 Calculation of VAT on invoices**

You may round down to the nearest whole Rwandan Franc the VAT payable on all goods and services shown on a VAT invoice. Fractions of a Franc may be ignored.

## **6.7 Computer invoicing and transmission by fax or e-mail**

### **6.7.1 Computer invoicing**

Any invoice produced by your computer, either on paper, magnetic media or for direct transmission should contain all the information required for a normal VAT invoice.

### **6.7.2 Transmission by fax or e-mail**

If you send your invoices to customers using fax or e-mail the normal rules for invoicing apply. Invoices sent in this way are acceptable for input tax deductions.

There is a risk with fax transmission that if your customer has a thermal paper fax machine the invoice may not be permanent. More modern fax machines copy directly on to plain paper and these copies are as permanent as normal paper and ink invoices. However, thermal copies deteriorate over time and as a consequence your customers may be unable to fulfil their obligations to keep records for the ten years stipulated by law.

You are advised therefore to advise customers that the invoices may not be permanent if they have a thermal paper fax machine.

If you send invoices by e-mail you are asked to advise your customers to contact you if any part of the invoice is unclear.

Example of a completed VAT invoice

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**AI XYZ Ltd.**  
BP 1582  
Kigali  
**TAX INVOICE**

**Invoice No./1764/04**

**12.12.2004.**

**VAT No.** 123456780

**Customers Name:** Uwera & Co.  
BP 2209  
Kigali.

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Quantity	Description of goods or services	Price	VAT	Total
1	Box of 4 spark plugs for Toyota pick-up.	10,000.00	1800.00	11800.00

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## Section 7: Credits and Debits

### 7.1 General

It is a fact of life that at some stage a customer will return goods or an overcharge or undercharge will be discovered, relating to a supply, on an invoice. To correct such eventualities either a credit note or a debit note will be required to be issued.

### 7.2 Credit or debit notes

To be valid for VAT purposes a credit or debit note must: -

- reflect a genuine mistake, overcharge or an agreed reduction in the value of a taxable supply and should be issued as soon as this mistake is discovered.
- give value to the customer, i.e. represent a genuine entitlement (or claim) on the part of the customer for the amount overcharged to be either refunded or offset against future supplies
- be clearly headed 'credit note' or 'debit note' and show clearly all of the following: -
  - an identifying number and date of issue,
  - the name, address and VAT number of the supplier,
  - the name and address of the customer,
  - the reason for issue, i.e. 'returned goods',
  - a description which accurately identifies the goods or services for which the credit note is being claimed or allowed,
  - the quantity and amount for each description,
  - the total amount credited, excluding VAT,
  - the rate and amount of VAT credited,
  - the number and date of the original VAT invoice. If you cannot do this (for example because returned goods cannot be identified to a particular invoice) then you must be able to satisfy the RRA by other means that you accounted for VAT on the original supply.

Credits given for zero rate or exempt supplies included in a credit or debit note must be totalled separately and the note must clearly show that no VAT credit has been allowed for them.

### 7.3 Accounting for credit notes and debit notes


If you have to make an adjustment for a credit or debit note you must adjust all the records of the taxable supplies made and the output tax to reflect credits or debits you have made. The nature of the adjustments and the reasons for them must be clearly documented.

Any VAT adjustment arising from the issue or receipt of credit notes or debit notes must be made for the accounting period in which you enter the adjustment in your business accounts.

In exceptional circumstances if the VAT credits you allow your customers exceeds the output tax you charged on your sales in a VAT period it is possible that you may have a minus figure in the output tax box of the VAT return. This should be made clear by writing the figure in brackets.

#### **7.4 Tax rate**

If the standard rate of VAT changes, for any reason, the rate of VAT to be used for the credit note or debit note is the one that was in force at the time of the tax point of the original supply.



## Section 8: Records and accounts

### 8.1 General

You are required by law to keep records and accounts of all taxable goods and services you receive or supply in the course of your business. This includes both standard rated and zero rated supplies. You must also keep records of any exempt supplies that you make. In addition you must keep a summary of your input tax and output tax totals for each monthly tax period.

All these records should be kept up to date and must be in sufficient detail to allow you to calculate correctly the amount of VAT that you have to pay to, or claim from, the RRA.

You do not have to keep these records in a set way but they must be maintained in a way which will allow RRA officers to check easily the figures that you have used to fill in your VAT returns.

### 8.2 Information to be recorded

You must keep records of all the operations connected with your business which affect the amount of VAT you have to pay or can reclaim.

This includes: -

- every supply of goods or services you receive on which you are charged VAT by your suppliers,
- every supply of goods or services which you make,
- any goods you have exported,
- any goods you have imported,
- any goods which you acquire in the course of your business which you put to private or non-business use.

You must also record adjustments such as:-

- corrections to your accounts,
- amended VAT invoices,
- any credits you allow or receive.

### **8.3 Maintaining and preserving records**

You must normally keep your business records, for tax purposes, for a minimum of ten years.

Examples of business records include but are not limited to: -

- orders and delivery notes,
- business correspondence,
- appointment and job books,
- purchase and sales books,
- cash books and other account books,
- purchase invoices and copy sales invoices,
- records of daily takings and supporting evidence such as till rolls,
- annual accounts including profit and loss accounts,
- import and export documentation,
- bank statements and paying in slips,
- credit and debit notes,
- your VAT account.

### **8.4 Computer records**

You may also keep your records on computer, for example on magnetic tape, disc, etc. provided they can be readily converted into a satisfactory legible form and made available to the RRA upon request. If you do keep your records on a computer the RRA, by law, can have access to it and check its operation and the information stored on it. They can legally ask for help, from you or anyone else having charge of it, with the operation of the computer or its software.

### **8.5 Audit**

Where your company is subject to an independent financial audit, the audit will usually cover the VAT account and other records relating to VAT. Whilst there is no legal requirement for auditors in Rwanda to make specific reference to the VAT affairs of a company it may save time during an audit by RRA employees if the auditor has made reference to the accuracy, or otherwise, of the VAT returns.

### **8.6 Keeping copies of VAT invoices**

You must keep a copy of all VAT invoices that you issue. You must also keep original copies of all the VAT invoices you receive, in making purchases for the business, in order to claim the input tax thereon.

### **8.7 Recording supplies you make and working out your output tax**

You must keep a record of all the supplies that you make in the course of your business. This includes any zero rated or exempt supplies. This record must include all the information that is required to be shown on the VAT invoice. If you issue invoices that contain all the necessary details then, as long as you keep copies, you will only need to prepare a sequential summary of your invoices. This should be in the same order as your copy invoices and should enable you to produce totals for each monthly tax period of: -

- the amount of VAT chargeable on your supplies. If you issue a credit note you should deduct the VAT on these credits from the amount payable in your VAT account,
- the VAT exclusive value of your standard rated and zero rated supplies,
- the value of any exempt supplies you have made.

### **8.8 Record of credits allowed to customers**

You must keep a record of all credits allowed to your customers in respect of supplies that you make. (This includes zero rated and exempt supplies). When a credit relates to a VAT invoice your records must show either the details in paragraph 7.2 or show clearly where those details can be found (for example, by cross-reference to filed copies of credit notes)

When you give a credit for a zero-rated or exempt supply, your record must show the date and amount of the credit and whether it was for an export, a zero rated supply in Rwanda or an exempt supply.

### **8.9 Evidence of input tax**

You must keep all invoices for all standard rated and zero rated supplies that you receive for your business. They must be kept in such a way that, given the invoice date and suppliers name, they can be easily produced to the RRA.

You cannot use an invoice marked 'Pro Forma' or 'This is not a tax invoice' as evidence for reclaiming input tax.

Only a person registered for VAT can issue tax invoices. If you receive an invoice from a non-registered person and attempt to use it to reclaim input tax you are breaking the law.

You should have no problem finding out from your suppliers whether or not they are registered for VAT. Each VAT registered trader must have a VAT registration certificate prominently displayed at their place of business or branch office. If you are in any doubt regarding the validity of a suppliers VAT invoice you should consult the RRA

It is in your own interest to obtain and retain VAT invoices. Without them you will not be able to reclaim as input tax the VAT you have been charged.

### **8.10 Imported goods**

You or your Customs clearance agent should make sure that official evidence is obtained from the port or airport, where your goods are entered for clearance, to show

that VAT has been paid on imported supplies. Without it you will not be able to reclaim, as input tax, the VAT you have been charged by Customs.

This evidence should be cross-referenced in your records to the relevant overseas suppliers invoice and should be retained together with the Customs import documents.

### **8.11 Recording supplies you receive and working out your input tax**

You must keep a record of all taxable supplies that you receive for your business. This includes zero rate and exempt supplies. You must keep this record in such a way that details of each transaction and the amount of VAT are entered in full and can be substantiated by reference to either the purchase invoice or the Customs import document.

If you have received invoices or Customs documents which give all the necessary details and they are kept in such a way that they can be easily produced your record need be no more than a summary of these documents in the same order as they are kept. The summary must enable you to produce separate totals for each monthly tax period of :-

- the amount of VAT you have been charged on goods and services you have received including VAT paid on imported goods. If you have received credits for services or returned goods then the amount of input tax should be reduced accordingly,
- the VAT exclusive value of all supplies you have received including supplies of zero rated or exempt goods or services.


A simple add list in the same order as the invoices and Customs documents are kept would be acceptable as a summary if it can be easily referenced to the supporting documents.

### **8.12 Your VAT account**

For each monthly tax period you must keep a summary of the totals of your output tax and your input tax. You should keep this record in a separate book or ledger opening. You will find an example of a simple VAT account at the end of this section but any form of account providing the same details will be acceptable to the RRA. If you are in any doubt please contact the RRA offices.

### 8.13 A simple VAT account

	<b>Net</b>	<b>Tax</b>	<b>Total</b>
<b>Sales</b>	539440.00	97099.00	636539.00
<b>Purchases</b>	302641.00	30263.00	332904.00
<b>Tax due</b> (Tax on sales minus tax on purchases)		<b>66,836.00</b>	



## Section 9: VAT returns and payment of tax

### 9.1 General

For each tax period (i.e. calendar month, or bi-monthly) all registered businesses are required to complete a VAT return and submit it, together with payment, to the RRA within 15 days of the end of the tax period. In the event that the last due date for filing falls on a weekend or public holiday the due date for filing becomes the first working day following the weekend or holiday.

Failure to file a return on time may result in penalties.

When filling in your tax return you should always check the numerical accuracy of the figures you have entered. If your VAT return is incorrectly completed then it may be returned to you for correction or you may be called to the tax office to correct it.

If the tax liability in any period is nil then you are still required to submit a return to the RRA.

### 9.2 Assessments

If you fail to make a return to the RRA you will receive an assessment of tax due based on previous returns or knowledge of the business. The RRA have the power, in law, to assess the tax you owe to the best of their judgement.

If you repeatedly pay assessments rather than submitting tax returns the amount assessed will increase with each assessment.

### 9.3 Surcharges

If you fail to submit a return or make late payment of tax then you will be liable to penalties. The current penalty for failure to file and make payment is 1.5% of the VAT due.

Other penalties as per the Tax Procedures Code may also apply.