RRA

RWANDA REVENUE AUTHORITY

TAXES FOR GROWTH AND DEVELOPMENT

NEW CHANGES IN TAX LAWS

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I. INTRODUCTION

In line with the directive of HE Paul Kagame, new tax laws have been adopted to ease tax burden to taxpayers, improve compliance and widen the tax base. A survey was conducted to explore challenges faced by taxpayers while trying to meet their tax obligations. This booklet contains a summary of changes appearing in new tax laws mainly those published in the official gazette of 05/09/2023.

The following are laws that were repealed or amended:

- Law no 020/2023 of 31/3/2023 on Tax Procedures, repealed the Law no 026/2019 of 18/09/2019 relating to Tax Procedures
- Law no 049/2023 of 5/9/2023 establishing Value Added Tax repealed the law no 37/2012 of 9/12/2012 establishing Value Added Tax
- Law No 050/2023 of 5/9/2023 establishing excise duty
- Law No 048/2023 of 5/9/2023 determining the sources of revenue & Property of decentralized entities
- Law No 051/2023 of 5/9/2023 amending Law N 027/2022 establishing Taxes on income
- Law No 051/2023 of 5/9/2023 amending Law N 027/2022 establishing Taxes on income

II. REPEALED AND AMENDED LAWS

II.1. LAW Nº 020/2023 OF 31/3/2023 ON TAX PROCEDURES

This law repealed the Law no 026/2019 of 18/09/2019 relating to Tax Procedures with the aim to create an attractive ecosystem for investment in Rwanda, to comply with international standards, and to address some challenges / loopholes that were identified during the implementation of the repealed law.

II.1. 1. Key changes in the Law nº020/2023 of 31/3/2023 on Tax Procedures

- The information to be included in required books and records for small taxpayers was extended to meet the EOI standards on availability of information;
- The retention period for books of account is extended from 5 to 10 years starting from 1st January of the year following the tax period to which books relate to harmonize the new law with company law, AML/CFT and laws governing partnerships, trusts and foundations respectively;
- An amendment for implementation of tax treaties was introduced to specify that for any payment to a resident of a partner State under a tax treaty, the withholding agent must produce a tax residence certificate of the payee issued by the competent authority (article 22);
- In order to facilitate the audit process, an idea was introduced that, upon reception of an audit notice, any change in books and records is forbidden, unless authorized by the Tax administration (article 28);
- In order to facilitate the audit by the Tax Administration, two reasons to conduct a new audit were added:

  (i) The first audit was a desk audit and the tax administration wants to conduct a comprehensive audit and

  (ii) The first audit was a refund audit and the tax administration wants to conduct a comprehensive audit (**article 30**);
- A new provision was introduced to specify "audit types" and separate them from audit procedure which is either a "**contradictory audit**" or a "**non-contradictory audit**";

- In accordance with tax administration principles, the burden of proof in case of audit was put on the taxpayer subject to a transfer pricing audit;
- Before auction, the taxpayer can request the CG the right to sell the seized property by himself in 90 days from the day of response from CG;
- In case of appeal , the taxpayer who pays the undisputed portion of tax, enjoys the stay of enforcement measures from the Tax Administration
- A new provision was introduced to entrust the Tax Administration with full power to access information held by any person and that may facilitate the implementation of this Law, other tax laws in force and all tax treaties ratified by Rwanda;
- The burden of proof was removed to the taxpayer and transferred to the Tax administration when the latter conducts an audit without notice;
- To harmonize with the income tax law which does not oblige taxpayers below 2 million of annual turnover to file their tax declaration, it was specified that those taxpayers are not subject to non-declaration penalties;
- To comply with the standard on Exchange Of Information on Request as proposed by the Global Forum, new penalties are introduced for entities exempt from income tax that do not submit their financial statements as well as for any person who does not provide timely information, does not provide information or provides, incorrect or misleading information following a request from the tax administration;
- Article 80 was repealed as its content is catered for under article 78 as amended;
- In order to avoid fraud, a new provision was introduced to punish taxpayers who fraudulently claim any tax refund (**article 91**);
- Administrative fines imposed to a taxpayer who declares tax due in the time limits provided by law but who does not pay that tax in the prescribed time limits were reduced to the half to facilitate taxpayers overcome hardships (assuming that the taxpayer faithfully has declared tax on time);
- To promote voluntary disclosure, the Minister was entrusted with the power to open a voluntary disclosure period, and by a Ministerial Order, to determine modalities and conditions to benefit from voluntary disclosure incentive (**article 94**).

- A new provision was introduced to entrust the Tax Administration with full power to access information held by any person and that may facilitate the implementation of this Law, other tax laws in force and all tax treaties ratified by Rwanda;
- To allow RRA to adjust its E-Tax system, a transitional period of three months was added (article 103);
- An obligation of the Tax Administration to immediately inform the taxpayer if it takes initiative to register him or her for VAT purposes was introduced;
- With the view to facilitate exchange of information in tax matters under tax treaties, it was specified that a person having a duty of confidentiality cannot be prosecuted for breach of confidentiality if he or she discloses information for implementation of this law or tax treaties;

II. 2. LAW Nº 049/2023 OF 5/9/2023 ESTABLISHING VALUE ADDED TAX

The new Law no 049/2023 of 5/9/2023 establishing Value Added Tax repealed the law no 37/2012 of 9/12/2012 establishing Value Added Tax as amended at different times

It aimed mainly to:

- Exempt new sectors of business;
- Adjust to new trends in business;
- Boost the use of electronic invoicing

II.2.1. Key changes in the Law nº 049/2023 of 5/9/2023 establishing Value Added Tax

II.2.1.1. Changes related to the following new tax exemptions

- Sanitary pads and the service of transportation of household solid waste
- Goods sold in customs for which no taxes have been paid;
- Aircrafts, their spare parts and maintenance tools, in order to promote the transport industry

- Equipment for conservation of human remains of victims of the Genocide against the Tutsi and its related evidence.
- As the list of exempted financial and insurance services may be constantly increasing due to economic dynamism, this list will be established by an order of the Minister in charge of finance;
- Processed maize and rice were VAT exempted to enhance access to essential foodstuff.
- Transferred assets between related resident companies during the period of restructuring are exempted from VAT in order to facilitate such companies

II.2.1.2. Other changes:

- An Order of the Minister will determine modalities to apply for an authorisation to acquire services not available in Rwanda;
- A Ministerial Order will determine the value of the reward and the conditions for granting such a reward to be given to the final consumer who requests for, and is given, an electronic invoice;
- A Ministerial Order will determine modalities of taxation of online supply of goods and services
- The period to claim input VAT refund from the date of invoice issuance has been reduced from two (2) years to twelve (12) months thanks to the new electronic invoicing in place
- In order to promote investment, the law allows special treatment of registered investors to whom the refund of VAT is made within a period not exceeding fifteen (15) days upon receipt of the relevant documents by the Tax Administration

III. LAW Nº 050/2023 OF 5/9/2023 ESTABLISHING EXCISE DUTY

Except for fuels and a partial specific excise on cigarettes, all Rwanda's excise taxes are ad-valorem (AV), meaning that the tax rate are applied on the price (CIF for imported products and ex-factory price for locally produced products).

Proposed reform is mainly focusing on shifting from ad-valorem taxation to hybrid or specific taxation. Hybrid approach is preferred as it captures both the quantity or units and the fluctuation in prices. Hybrid taxes are more effective at reducing consumption of products with harmful effects on health and safeguarding the revenue collection while Specific excises are levied based on units, volume or weight, which can be easily observed and measured by tax collectors.

III.1. Key changes

Product	Current tax rate	New rates
Other wines excluding wine of heading 2204.30.00	70%	70% of the value of a liter not exceeding FRW 40,000
Brandies, liquors and whisky whose local raw material content, excluding water, is at least 70% by weight of its constituents	70%	60%

Other brandies, liquors and whisky	New	70% of the value of a liter not exceeding FRW 150,000
Cigars and similar products containing tobacco or tobacco substitutes	New	160%
Brandies, liquors and whisky whose local raw material content, excluding water, is at least 70% by weight of its constituents	New	FRW 30,000 per unit
Cartridge with liquid for use in electronic cigarette	New	FRW 24,000 per unit

Industrial Packed Water	10%	Excluded
Powdered milk	10%	Excluded
Sweets and chewing gum	New	FRW 322/kg
Chocolate	New	FRW 1,930/kg

III. 2. EXPECTED RESULTS

New excise Law will encourage the import of high quality products like wines and liquors in line with MICE strategy to promote high end tourism in Rwanda, and promote local manufacturing by exempting powdered milk and industrial packed water.

IV. LAW Nº 048/2023 OF 5/9/2023 DETERMINING THE SOURCES OF REVENUE & PROPERTY OF DECENTRALIZED ENTITIES

The key changes in this Law aim to reduce tax burden and while expending the tax base and have been assessed based on the twin principles of "benefits received" and "ability to pay".

Changes also respond to the request of taxpayers for a review of the tax on immovable property and trading license paid by any person that opens a business activity within a District.

IV. 1. Key changes

IV.1.1. Tax rate on immovable property:

- Land tax rates is set between zero to Frw 80 per square meter of the surface of the plot of land;
- The tax on immovable property is calculated on the market value of both the building and the related plot of land if the two are subject to tax;
- The tax rate on residential building is set at 0,5% of the market value of both the building and related plot of land instead of 1% of the market value of a residential building;
- The tax rate on commercial building is fixed at 0,3% of the market value of both the building and related plot of land instead of 0,5% of the market value of a commercial building;
- The tax rate on plot and a building for residential use that do not exceed three floors is set at 0.25% of their market value;
- The tax rate on plot and a building for residential use with more than three floors is set at 0.1% of their market value;

IV.1.2. Other changes

- Plot of land on which a condominium is built or meant for construction is added among immovable property exempted from immovable property tax;
- A new tax on sale of immovable property set at 2% on the sale value of an immovable property for commercial use if the seller is a taxpayer registered for income tax and at 2.5% on the sale value of an immovable property sold by a person not registered for income tax has been introduced while immovable property transactions not exceeding 5 million shall be exempted (Article 18);
- Non-commercial State organs and micro-enterprises and small businesses during the first two (2) years following their establishment are exempt from the trading license tax;
- New method of calculating trading license tax has been introduced;
- The business owner with more than one branch will pay the trading license tax for only one branch in each District;
- Sanction regarding failure to present the trading license tax certificate has been removed as now trading license are issued electronically;

V. LAW Nº 051/2023 OF 5/9/2023 AMENDING LAW N 027/2022 ESTABLISHING TAXES ON INCOME

The Tax Administration was willing to review the current CIT rate of 30% introduced back in 2005 and which is relatively high compared to many other African countries

The CIT global average (excluding Africa) is at 21.83%

The high rate is exacerbated by a narrow CIT base on account of a plethora of tax incentives in the form of preferential rates, tax holidays and accelerated depreciation, as well as interest deductibility

V.1. Key changes

V.1.1. Reduction of CIT rate:

CIT rate is reduced from 30% to 28% in order reduce the tax burden on all taxpayers, expand the tax base, encourage reinvestment and hence boosting the tax collection

V.1.2. Tax declaration:

Article 9 of Law no 027/2022 of 20/10/2022 establishing taxes on income is amended to include paragraph 3 related to provisional tax declaration (without prior submission of financial statements to the qualified professional approved by the Tax Administration).

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