



RWANDA REVENUE AUTHORITY
TAXES FOR GROWTH AND DEVELOPMENT

TAX COMPLIANCE FOR CONSTRUCTION SECTOR

HERE FOR YOU TO SERVE

The construction sector represents a significant share of the tax base. The key considerable tax compliance risks are prevalent in the key Taxpayer obligations; registration, filing, payment and reporting.

1. Registration risk:

Any person who sets up a business or other activities that may be taxable is obliged to register with Rwanda Development Board (RDB) within a period of seven (7) days from the beginning of the business or activity or the establishment of the company.

From the analysis, it was found that;

- Some Taxpayers register in certain tax heads but not register in other taxes for which they are eligible.

During business registration the owner must:

- Specify his/her business activity;
- Specify address of the business (district, sector, cell, village, street number etc.);
- Indicate types of taxes to register for;
- Specify whether he/she is doing business as individual or a company;
- Indicate identification of the business owner/ shareholders (names, ID/passport, telephone numbers, email addresses).

2. Filing risk:

From the analysis, it was found out that the following are the most practices:

- Late filing of tax returns
- Missing tax returns

To avoid this, Taxpayers should regularly file their tax returns on time

3. Payment risk:

From the analysis, it was found that the majority of arrears are associated with small enterprises.

In order to avoid this, Taxpayers should:

- Make all payments on time;
- Make a follow up of their business transactions to record all payments.

4. Underreporting risk:

From RRA analysis, it was found out that the following are the most practices:

- Non declaration of 3% on withholding for public supplies in CIT/PIT;
- Non apportionment of input VAT;
- Expenses recorded twice;
- Not withholding 15% on payments made to unregistered suppliers;
- Non declaration of tax on sitting allowance of 30%;
- Understatement of withholding tax of 5%;
- Input VAT claimed not related to the business;
- Understatement of gross salary;
- Charging withholding tax of 15% instead of charging PAYE;
- Expenses without supporting documents;
- Non declaration of PAYE for some staff;
- Expensing VAT (total invoice VAT inclusive);
- Declaration of non-deductible expenses:
 - Expenses for personal use;
 - Expensing fines, interest and penalties;
 - Expenses not related to the business
- Application of wrong exchange rates on payments made in foreign currencies;
- Benefit in kind not charged PAYE;

- Overstatement of depreciation;
- Wrong amount of losses carried forward;
- Permanent staff charged PAYE as casual labors;
- Understatement of sales;
- Purchases without supporting documents;
- Inappropriate usage of EBM:
 - Non issuance of EBM invoices
 - Understatement of EBM invoice
 - Cancellation of EBM sales without original invoices.
- Not charging VAT reverse charge on locally available services.

What must be reported?

- All incomes/revenues/sales;
- Employees' remuneration and corresponding tax (PAYE);
- Real expenses incurred on goods and services.

Conclusion

Taxpayers in this sector are requested to comply with tax laws and regulations to address issues mentioned above. Taxpayers are requested to acquire EBM and always issue EBM invoices with the correct amount, description of the product and the buyer's TIN or telephone number. Taxpayers are requested to trade with suppliers with EBM to be able to declare expenses. RRA is extremely willing and prepared to assist taxpayers comply with tax laws and regulations.