

RWANDA REVENUE AUTHORITY
TAXES FOR GROWTH AND DEVELOPMENT

TAX COMPLIANCE FOR INFORMATION AND COMMUNICATION SECTOR

HERE FOR YOU TO SERVE

The information and communication sector represents a small percentage of the tax base. The key considerable tax compliance risks are 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 out that;

- Some Taxpayers register in some 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 to
- 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 out that there are huge tax arrears associated with the sector.

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:

- Understatement of business revenues;
- Understatement of closing stock;
- Understatement of WHT (15%);
- Not withholding 15% on payments made to unregistered suppliers;
- Not charging VAT reverse charge on services available locally;
- Non apportionment of input VAT;
- Input VAT claimed not related to the business;
- Understatement of gross salary;
- Benefits in kind not charged PAYE;
- Differences between staff costs declared in PAYE and staff costs in books of accounts;
- Expenses without supporting documents;
- Expenses not recorded in incurred period;
- Declaration of non-deductible expenses:
  - Expensing fines, interest and penalties;
  - Expenses for personal use;
- Overstatement of depreciation;
- Non declaration of Capital gain tax;
- Declaration of management fees paid to related parties exceeding 2% of turnover;
- Declaration of wrong bank loan interests;
- Unsupported lease;
- Unsupported realized foreign exchange losses.

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.

