



TAXATION PROCEDURES



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TAXATION PROCEDURES



The content of this booklet is a summary of the law N°020/2023 of 31/03/2023 on tax procedures.

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0. DISCLAIMER

1. This info does not replace the law
2. For legal terminologies and further accuracy refer to Law N°020/2023 on tax procedures

I. TAXPAYER REGISTRATION

- Register within seven (7) days of the beginning of the business or activity or the establishment of the company;
- Any changes have to be reported to the Tax Administration (TA) within 7 days from the day the changes were noticed;
- The Registrar General issues directives determining modalities for registration and deregistration of businesses, after consultation with the Commissioner General.

Taxpayer Identification Number (TIN)

- The Registrar General assigns TIN to a taxpayer to be used for payment of any tax;
- The Tax Administration (TA) assigns TIN to all none businesses as determined by Commissioner General (CG) rules;
- Taxpayers are required to put their Taxpayer Identification Number (TIN) in all documents or communications they submit to the Tax Administration (TA).

Registration on Value Added Tax (VAT)

Any person who carries out taxable activities whose turnover in the Previous Fiscal year exceeds twenty million Rwandan Francs (FRW 20,000,000) or five million Rwandan Francs (FRW 5,000,000) in the preceding quarter registers for Value Added Tax within a period not exceeding seven (7) days from the end of the concerned year, or three previous months unless his or her business is exempted from Value Added Tax.

A person who is not required to register for Value Added Tax in accordance with the above provisions may voluntarily register for Value Added Tax.

II. BOOKS OF ACCOUNTS AND RECORDS KEEPING

1. *Persons required to keep books of accounts*

- All companies operating in Rwanda;
- All persons engaged in business, profession or vocational occupation.

A person who carries out taxable activities in Rwanda and has an annual turnover exceeding two million Rwandan francs (FRW 2,000,000) but not exceeding twelve million Rwandan francs (FRW 12,000,000) keeps only records of sales.

2. *Books and records to be kept*

Those that must keep books of account must keep records which indicate:

- o The tax liability;
- o The obligation to withhold tax;
- o The obligation to file a withholding declaration.

A person who has an annual turnover exceeding twenty million Rwandan Francs (Frw 20,000,000) keeps the following documents:

1. A record of assets and liabilities;
2. A record of daily income and expenses related to the business activity;
3. A record of purchases and sales of goods and services related to his or her business;
4. A record of stock inventory at the end of the accounting period; Information related to controlled transactions

Maintain books & documents for 10 years in Rwanda starting from 1st January following the fiscal year to which they relate.

3. *Records Kept by Withholding Agents*

A withholding agent maintains records showing, in relation to each tax period:

- o Payments made to a payee;
- o Tax withheld from those payments.

Agent pays within 15 days from end of month in which payment is received (withheld);

Commissioner General (CG) prescribes rules for presentation of records.

4. **Electronic invoice**

A person who carries out any taxable activity issues an invoice generated by an electronic invoicing system certified by the Tax administration.

5. **Obligations of the user of Electronic Invoicing System**

Any user of electronic invoicing system is bound by the following obligations:

- To possess an electronic invoicing system;
- To issue an electronic invoice to every buyer regardless request thereof;
- To indicate real name of goods and related tax rates on the electronic invoice for Value Added Tax registered persons;
- To indicate real name of goods and related prices on the electronic invoice for Value Added Tax unregistered persons;
- To notify the Tax Administration of failure of electronic invoicing system within a time not exceeding six (6) hours;

1. **To refrain from deleting invoice except for sound grounds.**

III. **DECLARATION AND PAYMENT OF TAX**

1. **Tax declaration**

When the period for declaration of tax arrives as provided for by law, the taxpayer makes a declaration in Tax administration.

2. **Request for Extension of Tax Declaration Deadline**

Upon written request by taxpayer, Commissioner General (CG) may extend the filing date in writing; The taxpayer applies in writing to the Commissioner General at least fifteen (15) days before the last filing date of the declaration.

The Commissioner General may, in writing, grant to the taxpayer an extension of tax declaration deadline within ten (10) days from the date the request was received.

Extension of tax declaration does not suspend the accrual of interest of the principal tax.

3. Notice of tax assessment

The notice of tax assessment is established when:

- the tax declared on time has not been paid;
- the audit by the Tax Administration indicates an additional tax to be paid;
- there are serious indications that the taxpayer has the intention to evade tax.

The notice of tax assessment indicates the following information:

- Names, identification number and address of a taxpayer;
- Calculation of the tax and the amount of the tax to be paid;
- The tax declaration or the audit closure report on which the notice of tax assessment is based;
- The date of establishment of the tax assessment notice;
- The taxpayer's right to lodge an appeal with the Commissioner General;
- The conditions for lodging an appeal;
- Time limit for payment of the tax.

The Tax Administration sends a notice of tax assessment or a written notification of administrative fine to the taxpayer. The taxpayer pays the tax due or an administrative fine within seven (7) days from the day of receipt of the notice and written notification.

IV. AUDIT AND INVESTIGATIONS

A. AUDIT

1. Audit notice

The Tax Administration informs the taxpayer in writing, at least seven (7) working days before conducting an audit about:

- The type of audit to be conducted;
- The place of audit and the possible duration of the audit;
- Any document required to be audited or any information required;
- The tax period to be audited.

If the taxpayer is not ready for the audit, he or she writes to the Tax Administration requesting for postponement with reasons. However, the postponement cannot exceed thirty (30) days and it is allowed only once.

Upon receipt of audit notice, a taxpayer is not allowed to change the declarations and information contained in his or her accounting records concerned with the audit, unless authorized by the Tax Administration.

2. Audit Types

Audit types are as follows:

1. Comprehensive audit;
2. Issue-oriented audit;
3. Desk audit;
4. Transfer pricing audit;
5. Refund audit.

3. Obligations of the Taxpayer during Audit

During audit, the taxpayer must:

1. Provide tax auditors with appropriate working environment;
2. Provide tax auditors with books and records prescribed by this Law and other related documents and provide them with their copies.

In addition to books of accounts and records provided for by the Law, the Tax Administration may request in writing additional information or explanations from the taxpayer. The taxpayer provides the requested information or explanations in writing within seven (7) working days, from the time of receipt of the request except in case of force majeure.

The Tax Administration may use any information found from any source before audit and investigation.

During audit or investigation and upon request in writing by the Tax administration, the following provide the required information in relation to the taxpayer:

1. All public or private institutions;
2. Other persons in case the Tax Administration needs to know the nature and use of taxpayer's property.

An institution or a person requested to provide the information does so within fifteen (15) days from receipt of the request.

4. Audit Procedures

Tax audit is conducted through one of the following procedures:

- Contradictory procedure;
- Non-contradictory procedure

a. Contradictory procedure

The Tax Administration (TA) issues an adjusted assessment when it discovers miscalculation, an omission, an understatement, a misrepresentation of a tax or any other error in the tax declaration or assessment, the Tax Administration sends a draft note for rectification to the taxpayer containing all the elements taken into account for rectification to provide his or her opinion.

The draft note for rectification referred to above contains an administrative fine in case of non-compliance with the tax laws.

Right to be heard on a draft rectification note

In the case of a comprehensive audit and transfer pricing audit or in the case of one of these audits, the taxpayer has the right to give his or her written opinion on the draft rectification note within thirty (30) days of the day of receipt of the note.

In the case of an issue-oriented audit or refund audit, the taxpayer has the right to give his or her written opinion on the draft rectification note within five (5) days of the day of receipt of the note.

In the case of a desk audit, no draft rectification note is provided. The Tax Administration invites the taxpayer to appear for a hearing on the results of the desk audit within five (5) working days.

Correction of audit procedural errors

In case of error related to tax audit procedure, the Tax Administration is allowed to correct the error only once, as follows:

- resumption of the entire audit if the error has a general impact;
- correction of the error at the corresponding step if the error only affects one step of the audit.

Final rectification note

The Tax Administration issues to the taxpayer the final rectification note if:

- after a period of thirty (30) days, the taxpayer does not indicate any reaction on the draft note for rectification, in case of comprehensive audit or transfer pricing audit;
- after a period of five (5) working days, the taxpayer does not indicate any reaction on the draft note for rectification, in case of issue-oriented audit;
- it has, after review, accepted or not the explanations of the taxpayer on the draft rectification note.

The final rectification note provides reasons for rejection or admission of explanations provided by the taxpayer and indicates the person who has to pay.

b. *Non-Contradictory Procedure*

The Tax Administration may apply the non- contradictory procedure while conducting an audit without notice, in case of:

- Acts of tax evasion;
- The taxpayer does not cooperate with tax audit officers or fails to provide the explanations requested.

5. Conditions for a Refund Audit

The refund audit is carried out when the input Value Added Tax paid exceeds the output tax. In this case, the Tax Administration conducts an audit to determine whether the tax for which the taxpayer is claiming a refund has been paid and that the taxpayer is entitled to the refund.

B. INVESTIGATION

1. *Access to premises for search and seizure*

The authorized officer may without written notice, visit and enter into premises of the taxpayer or any other person in search of tax information about the Taxpayer. In such case, the authorized officer may, if he considers it necessary search and seize objects or documents related to the business activities of the taxpayer.

The authorized officer, having a search warrant delivered by the Prosecutor, may also enter the residential premises, search and seize objects or documents related to the business activities of the taxpayer, between six 6:00 am and 6:00 pm.

Before the search, the concerned person is given a copy of the search warrant.

An authorized officer who has a search warrant may seek the assistance of the Rwanda National Police or the representatives of decentralized administrative entities of the place of search.

2. Requirements for application for search warrant

The Authorized officer to access private dwellings or other premises, the Tax Administration (TA) have to obtain a search warrant from the Prosecutor. In applying for a search warrant, the Tax Administration (TA) provides:

- Names, residence and profession of a person to be searched;
- Location of the residence the Tax Administration wants to search;
- Reasons on which the Tax Administration bases its request for the search warrant.

V. DISPUTE SETTLEMENT

1. Administrative appeal

a. Appeal to the Commissioner General

A taxpayer who is dissatisfied with the contents of the tax assessment notice or notification of administrative fine appeals to the Commissioner General against the disputed amount within a period not exceeding thirty (30) days from the day of receipt of the notice or notification.

To be admissible, the file of appeal must:

1. be in writing;
2. identify the taxpayer;
3. bear the taxpayer identification number;
4. identify the concerned tax period;
5. specify the tax assessed or administrative fine imposed, the object and the grounds for the appeal;
6. be signed by the taxpayer, his or he legal representative or a representative with powers of attorney;
7. contain proofs and legal arguments indicating that the tax assessment was not correctly done;
8. be submitted via electronic tax filing system's module set by the Tax Administration or by means of communication provided by the Law, if the system is not in use.

b. Decision on appeal

The Commissioner General decides on the appeal in a period not exceeding thirty (30) days from the day of receipt of the appeal and communicates it to the taxpayer in writing.

Commissioner General (CG) may extend the period by another thirty (30) days and informs the taxpayer. After the time limit mentioned above has elapsed without the Commissioner General having decided on the appeal, the appeal is deemed to be well-founded.

In case the appeal is fully or partially accepted, the Commissioner General discharges the taxpayer from the respective tax liability, interests for late payment and administrative fine with regard to the accepted appeal.

2. Amicable Settlement

- The taxpayer who is not satisfied with the decision of the Commissioner General may request to the Commissioner General for an amicable settlement.
- If the two parties cannot resolve the dispute amicably, the taxpayer may file a case with the court within a period not exceeding thirty (30) days from the date of failure to reach amicable settlement.

3. Appeal to the Court

A taxpayer who is dissatisfied with the decision of the Commissioner General may also file a case with the competent court within thirty (30) days from the day of receipt of the decision of the Commissioner General.

During the period in which the claim is filed with the court, the obligation to pay tax remains. Prior to the final decision on the case, the Tax Administration may recover the tax assessed, the penalties and interests for late payment.

4. Interests Paid by The Tax Administration

If the Taxpayer is discharged from tax, interest and penalties by an administrative or judicial decision, or if no refund of excess taxes paid is done in the time limit prescribed by this Law, the Tax Administration (TA) pays interest on the due refund.

The interest rate provided above is calculated in accordance with the inter-bank offered rate of the National Bank of Rwanda and is set on 1st January

of the fiscal year for the current calendar year. Interest is calculated on a daily basis, non-compounding, counting from the day of payment until the day of refund inclusive.

VI. TAX RECOVERY

1. Warning

If tax, interests for late payment, administrative fine and enforcement costs are not paid within the period provided for by this Law, the Tax Administration sends a warning letter to the taxpayer.

The warning letter indicates the amount of tax, interests for late payment and administrative fine to be paid and the requirements of the law if they are not paid within fifteen (15) days from the receipt of the warning letter by the taxpayer.

2. Instalment plan

Commissioner General sets out the rules; Payment plan is 12 months. However, the Commissioner General may extend another period not exceeding 24 months if taxpayer has justified reasons. Failure to respect plan by taxpayer makes remaining amount due immediately.

3. Seizure of the property of a taxpayer

If the taxpayer does not pay within the period; the Tax Administration may seize any movable or immovable property of the taxpayer, held by the taxpayer or a third person.

However, within a period not exceeding fifteen (15) days running from the day of seizure of the property, the taxpayer may apply to the Tax Administration for authorization to sell the seized property by himself or herself in order to clear tax due.

The taxpayer is granted ninety (90) days running from the day of the feedback on his or her application, to sell the property and clear the tax due.

4. Third parties

If a tax is not paid within 15 days, the Tax Administration (TA) may require any debtors, bankers and other persons in possession of a taxpayer's funds to pay to the Tax Administration (TA) the amount due to the taxpayer against the taxpayer's tax liability.

5. Power of court bailiffs

Staff of the Tax Administration responsible for tax recovery have powers of court bailiff regarding the collection of taxes, fees, interests for late payment, administrative fine and other funds falling within the power of the Tax Administration, for the public treasury.

The Tax Administration may seek assistance of a professional court bailiff in recovery of taxes, interests for late payment administrative fine and other funds falling within the power of the Tax Administration for the public treasury.

6. Taxpayer representation

The taxpayer has the right to be represented by a qualified professional during any communication with the Tax administration. The professional holds power of attorney with a signature of the taxpayer and the date on which it was given.

However, an advocate is not required to hold such a power of attorney. Except for an advocate, a qualified professional may be suspended by the Commissioner General for a period not exceeding two (2) years, if he/she contravenes provisions of tax procedure and relative directives.

The suspended professional may appeal to the Minister in a period not exceeding fifteen (15) days from the day of receipt of suspension letter. The Minister decides on such an appeal in a period not exceeding sixty (60) days.

VII. INTEREST, ADMINISTRATIVE FINES AND PENALTIES

1. Interests for Late Payment

A taxpayer who fails to pay tax within the period provided for by the Law pays late payment interests on the amount of principal tax. The rate of interests for late payment is fixed as follows:

Percentages (%)	Time of delay
0.5 %	if the taxpayer has recorded a delay not exceeding six (6) months with respect to the time limit for payment.
1 %	if the taxpayer has recorded a delay of six (6) months in taxpayment but not more than twelve (12) months.
1.5 %	if the taxpayer has recorded a delay of more than twelve (12) months.

Interests for late payment are non-compounding and calculated on a monthly basis counting from the first day following the day on which the tax would have been paid until the day of payment inclusive. Every month that begins is considered as a complete month.

Interests for late payment cannot exceed one hundred percent (100%) of the amount of tax.

When the taxpayer pays, that payment offsets the tax liability in the following order:

- 1° principal tax;
- 2° administrative fine;
- 3° interests for late payment.

2. Administrative Fine

a. *Wrongful acts punished with fixed administrative fine*

- Failure to submit a tax declaration on time;
- Failure to submit a withholding declaration on time;
- Failure to withhold tax;
- Failure to provide proofs required by the Tax administration;
- Failure to cooperate or not to provide information during a tax audit;
- Failure to communicate the capacity or appointment of a representative;
- Failure to fulfill registration requirements;
- Failure to keep books and records of controlled transactions;
- To obstruct or attempt to obstruct the activities or duties of the Tax administration;
- Failure to submit financial statements by a person with obligation to submit its financial statements for taxation purpose;
- Failure to provide on due time, fail to provide information or provide incomplete, incorrect or misleading information following a request of the Tax administration;
- Failure to make timely quarter payment on profit tax.

The Administrative fine related to violations of the above provisions is established as follows:

Fixed fines	Concerned taxpayer
Frw 50,000	for a natural person not engaged in any commercial activity or a taxpayer whose annual turnover is more than two million Rwandan francs (FRW 2,000,000) but not exceeding twenty million Rwandan francs (FRW 20,000,000).
Frw 300,000	if the taxpayer is a public institution or a non-profit making organization and if the taxpayer's annual turnover exceeds twenty million Rwandan francs (FRW 20,000,000).
Frw 500,000	if the taxpayer was informed by the Tax Administration that he or she is in the category of large taxpayers.
Frw 500,000	if the taxpayer fails to submit his or her certified annual financial statements as required by law. The fine is paid every month until he or she submits them;

Any person who fails to provide information on time, one who does not provide information or who provides incomplete, incorrect or misleading information following a request of the Tax Administration is liable to a penalty fixed as follows:

Fixed fines	Concerned taxpayer
Frw 500,000	for a person who has an annual turnover equal to or less than twenty million Rwandan francs (FRW 20,000,000).
Frw 2,000,000	for a person who has an annual turnover exceeding twenty million (FRW 20,000,000) but less than two hundred million Rwandan francs (FRW 200,000,000).
Frw 3,000,000	for a person who has an annual turnover equal to or more than two hundred million Rwandan francs (FRW 200,000,000) but less than six hundred million Rwandan francs (FRW 600,000,000).
Frw 5,000,000	for the person with an annual turnover equal to or more than six hundred million Rwandan francs (FRW 600,000,000).

The basic administrative fine is doubled or quadrupled when offences are repeated for the second time or third time in two (2) years.

A qualified professional approved by the Tax Administration who obstructs the activities of the Tax Administration is liable to an administrative fine of two hundred thousand Rwandan francs (FRW 200,000). The qualified professional

approved by the Tax Administration may also be suspended from his or her duties by the Commissioner General for a period of two (2) years.

b. Non-fixed administrative fine

1. Administrative fine for non- declaration and non-payment of tax on time

A taxpayer who fails to declare and pay tax within the time limit provided by law pays such a tax and is liable to an administrative fine as follows:

Percentages (%)	Time of delay
20 % of due tax	if the time limit for payment extends for a period of time not exceeding thirty (30) days.
40 % of due tax	if the taxpayer paid within a period ranging from the thirty-first day (31st) to sixtieth (60th) day from the final date of payment.
60% of due tax	if the taxpayer exceeds the time limit for payment by more than sixty (60) days.

A taxpayer who declares tax due within the time limit provided by law but who does not pay that tax in the prescribed time limit, pays the principal tax and an administrative fine as follows:

Percentages (%)	Time of delay
5% of due principal tax	when the taxpayer exceeds the time limit for payment for a period not exceeding thirty (30) days from the final date of payment.
10% of due principal tax	if the taxpayer paid within a period ranging from the thirty-first (31 st) day to sixtieth (60 th) day from the final date of payment.
30% of due principal tax	if the taxpayer exceeds the time limit for payment by more than sixty (60) days from the final date of payment.

A taxpayer to whom the Commissioner General granted extension for submitting tax declaration is not subject to administrative fine unless the taxpayer failed to respect the extension period.

2) Administration fine for Understatement of Tax

- 10% of the amount of the understatement: if understatement is equal to 10% but not more than 20 % of the tax liability.

- Doubles if the understatement rate exceeds twenty percent (20%) of the principal tax liability the taxpayer ought to have paid.

3) *Administrative fine related to the VAT*

A person who does not comply with legal provisions on Value Added Tax is subject to an administrative fine as follows:

- A person carrying out business activities without being registered on VAT where it was so required, is liable to an administrative fine of 50% of the amount of VAT due for the entire period of operation of the business;
- A non-VAT registered person issues a VAT invoice is liable to an administrative fine of 100% of the VAT imposed and pays the tax indicated on that invoice;
- A person issues an incorrect VAT invoice with intention to decrease the amount of VAT payable or to increase the VAT input credit is liable to an administrative fine of 100% of the amount of the VAT payable.

A public entity and a taxpayer authorized to withhold the VAT that fail to withhold the VAT or that withheld VAT and failed to pay the tax withheld to the Tax Administration pay the Tax not withheld or not paid plus fines and interests for late payment.

Failure to use electronic invoicing system

- A VAT registered person who sells without issuing an electronic invoice is liable to an administrative fine of ten (10) times the value of the evaded VAT.
- In case the fault is repeated within a period of two (2) years, the defaulter is liable to an administrative fine of twenty (20) times the value of the evaded VAT.

Non-compliance with obligations of the use of electronic invoicing system

- FRW 200,000: fails to comply with obligations of the user of the electronic invoicing system provided by the law,
- FRW 400,000 in case the fault is repeated within a period of two (2) years,
- A person registered to the VAT who carries out a taxable transaction and who delivers an electronic invoice with under-valued price or quantity of goods or services is liable to an administrative fine of ten (10) times the value of the evaded VAT.

- In case the fault is repeated within a period of two (2) years, the administrative fine is increased to twenty (20) times the value of the VAT.

4. *Fraudulent request for refund of tax*

A taxpayer who fraudulently claims tax refund commits an offence. If convicted, he/she is liable to imprisonment of a term of not less than two (2) years and not more than five (5) years and to a fine equivalent to one hundred percent (100%) of the amount unduly claimed.

5. *Accessories sanctions*

Any person who commits a fault or an offence provided for by this Law may be liable to the following accessories sanctions:

- Closure of business activities for a period not exceeding thirty (30) days depending on the seriousness of the fault;
- To be barred from bidding for public tenders;
- Withdrawal of a business register;
- To be published in the media.

.....END.....

For further simplified explanation contact:

* RRA's Taxpayer Engagement unit on 0788515545 or

email : taxpayerseducation@rra.gov.rw

facebook : Rwanda Revenue Authority

 Twitter : @rrainfo

Instagram : [rwandarevenue](https://www.instagram.com/rwandarevenue)

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