



## BASIC INFORMATION BEFORE YOU BEGIN ANY BUSINESS

### INTRODUCTION

For the sake of improving tax compliance, RRA has prepared a simplified tax information brochure on taxes collected by RRA and decentralized taxes collected by RRA on behalf of District and City of Kigali. It is mainly target newly opened profitable business helping them to know obligations and comply with tax provision.

### REGISTRATION

Any person who sets up a business or other activities that may be taxable is obliged to register with the Tax Administration within a period of seven (7) days from the beginning of the business or activity or the establishment of the company and get a TIN. Now the company registration is done at RDB.

### 1. INCOME TAX

#### Types of income taxes

#### A. PERSONAL INCOME TAXES (PIT):

##### PIT- Flat tax regime

Annual turnover	Annual Tax to pay	Quarterly tax to pay
Below 2,000,000 Rwf	No tax	No tax
2,000,000 Rwf - 4,000,000 Rwf	60,000 Rwf	15,000 Rwf
4,000,001 Rwf - 7,000,000 Rwf	120,000 Rwf	30,000 Rwf
7,000,001 Rwf - 10,000,000 Rwf	210,000 Rwf	52,500 Rwf
10,000,000 Rwf - 12,000,000 Rwf	300,000 Rwf	75,000 Rwf

##### PIT-Lump sum tax regime

Apply 3% of the turnover (12,000,001 Frw up to 20,000,000 Frw) or apply accounting practice

Annual profit on income in Frw	Tax rate
0- 360,000	0%
360,001- 1,200,000	20%
Above 1,200,000	30%

#### B. CORPORATE INCOME TAX (CIT)

30% of the income for companies

##### Declaration, tax payment

- Annually ( not later than 31<sup>st</sup> March) for the first year;
- Quarterly( not later than 30<sup>th</sup> June, 30<sup>th</sup> September, 31<sup>st</sup> December and 31<sup>st</sup> of March)



## 2. WITHHOLDING TAXES

- **5%** of CIF on imports through customs if no Quitus fiscal
- **3%** on public tenders if no Quitus fiscal
- **15%** for consultancies and non registered
- 15% on net income in case of dividends payments

**Declared and paid within 15 days** following the month the tax was withheld.

## 3. PAY-AS-YOU EARN (PAYE)

The PAYE is a tax paid on employment income which includes all payments to an employee in cash or/and in kind. The employer has the responsibility to withhold PAYE before salary payment

- Within **15 days** , the employer must declare and pay PAYE withheld tax on the previous month/Quarter

INCOME	TAX RATES
0 – 30,000	0%
30,001– 100,000	20%
Above 100,000	30%
Casual laborer ( > 30,000 )	15%

## 4. VALUE ADDED TAX (VAT)

A taxpayer to register on Value Added Tax (VAT) should:

- Have realized a turnover of **20,000,000Frw** per year or **5,000,000 Frw** per quarter or register **voluntarily**.
- Have VAT registration certificate
- Have and use Electronic Billing Machine (EBM)

VAT is at 18% and paid by **the final consumer**.

VAT is declared and paid within **15 days** following the month/quarter in which tax was collected.

### VAT mechanism:

- **Payment position:** input VAT < output VAT
- **VAT refund:** input VAT > output VAT
- **Null:** input VAT = output VAT

## 5. TRADING LICENSE TAX

The trading license tax shall be paid by any person for each place in which he/she opens a business activity within a District.

It is paid before starting activities. It is declared and paid not later than **31<sup>st</sup> January** and considers the following:

- Location ( rural area, town or city of Kigali)
- Business being carried out
- Be a VAT registered or not.

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