

this service. The local taxpayer must declare and pay 18% of the value of the services received.

This VAT may be offset as an input tax if, and only if, the services received are not available in the local market.

Services are considered not to be available in Rwanda if there is no one who can deliver identical or similar services on the local market.

If the services are available on the local market, then the VAT may not be offset as an input tax. This is to encourage taxpayers to work with domestic businesses.

### WHAT IS VAT RETAINED BY PUBLIC INSTITUTIONS?

Government and public institutions must withhold 18% VAT on all taxable supplies within public tenders. The taxpayer who has won the tender is required to declare the taxable supplies as output VAT, but can offset the VAT Retained by Public Institutions. The VAT is paid by the public institution on behalf of the taxpayer.

The taxpayer must keep proof that this VAT was withheld. The public institution must pay the VAT to RRA by the fifteenth day of the following month, from the date of the invoice, as with regular VAT declarations and payments.

### WHAT IS A VAT REFUND?

It is possible for the final VAT due of a taxpayer to be negative. In this case, the taxpayer is due a VAT refund. There is no further action required of the taxpayer.

An example of what this may look like on the tax declaration is shown below.

If the VAT refund claimed is a small amount relative to the size of the business, as decided by RRA, this will be carried forward and will automatically be used to offset against future VAT payments.

If the VAT refund claimed is a large amount relative to the size of the business, as decided by RRA, RRA will audit the refund and may contact the taxpayer for further evidence. If the refund is correct and accurate, RRA will contact the taxpayer and provide a blank cheque for the refund amount.

### WHEN IS THE DEADLINE TO DECLARE AND PAY VAT?

VAT is declared and paid on a monthly basis. Alternatively, taxpayers with annual turnover below Frw 200,000,000 may choose to declare on a quarterly basis.

Whether monthly or quarterly, the VAT declaration must be submitted and paid by the 15th of the month following the end of the tax period.

This means that monthly declarations concerning the tax period between March 1<sup>st</sup> and March 31<sup>st</sup> must be declared to RRA and paid by April 15<sup>th</sup>. Then declarations concerning the tax period between April 1<sup>st</sup> and April 30<sup>th</sup> must be declared to RRA and paid by May 15<sup>th</sup> and so on throughout the year.

The quarters for taxpayers declaring VAT on a quarterly basis concern the tax period between:

- March 1<sup>st</sup> to May 31<sup>st</sup> must be declared and paid by 15<sup>th</sup> June
- June 1<sup>st</sup> to August 31<sup>st</sup> must be declared and paid by 15<sup>th</sup> September
- September 1<sup>st</sup> to November 30<sup>th</sup> must be declared and paid by 15<sup>th</sup> December
- December 1<sup>st</sup> to February 28<sup>th</sup> (or 29<sup>th</sup> if a leap year), must be declared and paid by 15<sup>th</sup> March.

### VAT PENALTIES AND FINES

This includes penalties and fines for:

- Late declaration
- Late payment
- Declaring less than the corrected tax due
- Paying less than the tax due declared

IKIGO CY'IMISORO N'AMAHORO



## VALUE ADDED TAX (VAT)



**RWANDA REVENUE AUTHORITY**  
TAXES FOR GROWTH AND DEVELOPMENT

Kimihurura, KG 4 Ave 8  
P.O.Box 3987 Kigali, Rwanda



June, 2018

## WHAT IS VAT?

VAT is a tax on the consumption of goods and services. It is indirectly paid by the final consumer of the good or service. However, it is paid on their behalf by taxpayers on the value added at each stage of production.

VAT is a very important tax type. It collects the largest amount of tax revenue of any tax type in Rwanda, and also helps to drive collections of other tax types by contributing to improved bookkeeping.

VAT is intended to be on as wide a range of products as possible, to ensure fairness across business sectors. However, there are some goods and services that are exempt or zero-rated for VAT. This is usually because tax on these goods and services may be unfairly burdensome on the poor or because those goods and services have benefits to efficiency across the rest of the economy.

## WHO MUST REGISTER FOR VAT?

A taxpayer must register for VAT if his turnover is above Frw 20,000,000 for any twelve-month period or above Frw 5,000,000 for three consecutive months. In addition, any taxpayer may choose to register for VAT.

## WHAT ARE THE OBLIGATIONS OF VAT REGISTERED TAXPAYERS?

There are five obligations of VAT registered taxpayers:

- Must clearly display the VAT registration certificate in plain view at the place of business.
- Must use an Electronic Billing Machine (EBM) to issue VAT invoices.
- Must issue an EBM invoice to all customers with every transaction.
- Must file a monthly or quarterly VAT declaration within fifteen days after the end of the tax period.
- Must be available at all times to receive RRA officers and to make available books of accounts.

## WHAT IS THE TAX RATE OF VAT?

The normal rate of VAT is 18%. There is also a zero-rate (0%) and exemptions applicable for certain types of goods and services.

## WHO PAYS VAT?

VAT is indirectly paid by the final consumer of the good or service. However, taxpayers pay on their behalf on the value added at each stage of production. This means that taxpayers

charge VAT on their sales, output VAT, whilst claiming back VAT paid on their inputs, input VAT. The amount each taxpayer pays is therefore equal to output VAT minus input VAT.

## WHICH GOODS AND SERVICES ARE TAXABLE FOR VAT?

All goods and services supplied in Rwanda are considered taxable unless they are zero-rated or exempt.

Services are considered to be supplied in Rwanda if the services provider:

- Has their headquarters in Rwanda
- Is usually resident in Rwanda
- Or if the recipient of the services benefits from it within Rwanda, for further details see the VAT.

## WHICH GOODS AND SERVICES ARE EXEMPT OR ZERO-RATED FOR VAT?

- Zero-rated for VAT purposes means that no output VAT is charged on the goods or services, but input VAT can still be claimed.
- Exempt for VAT purposes means that no output VAT is charged on the goods or services, and no input VAT can be claimed.

The list of zero-rated goods and services, detailed in Article 5 of Law N°37/2012 of 09/11/2012, includes:

- Exported goods and services
- Goods and services intended for diplomats accredited to Rwanda that are used in their missions but whose countries should also give the same privileges to the Rwandan diplomats
- Goods and services intended for international organizations that have signed agreements with Rwanda.
- Goods and services intended for projects funded by partners that have signed agreements with the Government of Rwanda.

The list of exempt goods and services, detailed in Article 6 of Law N°37/2012 of 09/11/2012, includes:

- Goods and services related to health purposes
- Educational materials and services
- Books, newspapers and magazines
- Transportation services

- Financial and insurance services
- Energy supply equipment
- Unprocessed agricultural and livestock products
- Locally processed milk
- Industrial machinery
- Mobile telephones and SIM cards.

## Example:

*Amahoro sells unprocessed and processed agricultural products. She sells the unprocessed agricultural products within Rwanda. She sells some of the processed agricultural products within Rwanda and also exports some of them to Kenya. The processed agricultural products sold within Rwanda are subject to VAT as normal.*

*The processed agricultural products exported to Kenya are zero-rated. The unprocessed agricultural products sold within Rwanda are exempted. She pays input VAT on the inputs for each.*

*She sells Frw 236,000 (VAT inclusive) of processed agricultural products within Rwanda, with VAT paid on inputs of Frw 10,000. She exports Frw 295,000 (VAT exclusive) of processed agricultural products to DRC, with VAT paid on inputs of Frw 28,000. She sells Frw 177,000 (VAT exclusive) of unprocessed agricultural products within Rwanda, with VAT paid on inputs of Frw 9,000.*

*The total (VAT exclusive) sales are therefore:*

*(Frw 236,000 / 1.18) + Frw 295,000 + Frw 177,000 = Frw 200,000 + Frw 295,000 + Frw 177,000 = **Frw 672,000***

*The taxable sale is Frw 200,000. The output VAT is therefore:*

*Frw 200,000 \* 18% = **Frw 36,000.***

*The input VAT includes the VAT paid on inputs for the taxable sales, as well as the zero-rated sales (including exports), but not the exempt sales. The input VAT is therefore:*

*Frw 10,000 + Frw 28,000 = **Frw 38,000.***

*Therefore, Amahoro has to pay:*

*Frw 36,000 – Frw 38,000 = **Frw -2,000***

*Amahoro receives a VAT refund from RRA of **Frw 2,000.***

## WHAT IS VAT REVERSE CHARGE?

If a local taxpayer is the recipient of services from a foreign supplier, the local taxpayer is required to pay the VAT on