Income tax

Basis of taxation

Income tax is levied on both companies and individuals. Under the income tax laws, tax is charged on the taxable income accruing worldwide for all residents and on the income of non-residents from sources in Rwanda. An entity is regarded as a resident if it is a company or an association established according to law, or has its place of effective management in Rwanda at any time during that tax period, or is a government company.

An individual is resident in Rwanda, if the individual has a permanent residence, has a habitual abode, is a citizen representing the country abroad, stays in Rwanda for more than 183 days in any 12-month period (either continuously or intermittently) and is resident for the tax period in which the 12 month period ends.

Rates

| Resident companies | | | |
|-------------------|---|---|
| Corporation tax   | 30%* | | |
| Capital gains is taxed together with business income | » 30% (capital gain resulting from sale or cession of commercial immovable property); and » Exempt (capital gain on secondary market transactions on listed securities)* | | |
| Dividends         | 15%** | | |
| Interest excluding interest on government securities | 15%** | | |
| Interest on government securities | 5%** | The withholding tax (WHT) on dividends and interest income on securities listed on capital markets and interest arising from investments in listed bonds with a maturity of three years and above shall be reduced to 5% when the person who withholds is a resident taxpayer or of the East African Community | | |
| Royalties         | 15%** | | |

| Non-resident companies | | | |
|------------------------|---|---|
| Corporation tax        | 30%* | | |
| Capital gains is taxed together with business income | 30% (capital gains resulting from sale or cession of commercial immovable property); and Exempt (capital gains on secondary market transactions on listed securities)* | | |
| Dividends              | 15%** | | |
| Interest excluding interest on government securities | 15%** | | |
| Interest on government securities | 15%** | | |
| Royalties              | 15%** | | |
| Proceeds from sale of commercial buildings to resident persons | 30%** | | |
| Repatriation of branch profits | N/A** | | |
### Resident individuals

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>0% - 30%*</td>
</tr>
<tr>
<td>Rental income</td>
<td>20% of gross revenue as deemed expense*</td>
</tr>
<tr>
<td>Dividends</td>
<td>15%**</td>
</tr>
<tr>
<td>Interest excluding interest on government securities</td>
<td>15%**</td>
</tr>
<tr>
<td>Interest on government securities</td>
<td>5% for residents and East African citizens, 15% for others**</td>
</tr>
<tr>
<td>Royalties</td>
<td>15%**</td>
</tr>
<tr>
<td>Management and professional fees</td>
<td>15%**</td>
</tr>
<tr>
<td>Capital gains tax</td>
<td>» 30% (capital gains resulting from sale or cession of commercial immovable property); and » Exempt (capital gains on secondary market transactions on listed securities).</td>
</tr>
</tbody>
</table>

### Non-resident individuals

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>0% - 30%</td>
</tr>
<tr>
<td>Non-resident shareholders’ tax on dividends (NRST)</td>
<td>15%**</td>
</tr>
<tr>
<td>Non-residents’ tax on interest (NRTI)</td>
<td>15%**</td>
</tr>
<tr>
<td>Royalties</td>
<td>15%**</td>
</tr>
<tr>
<td>Management fees</td>
<td>15%**</td>
</tr>
<tr>
<td>Proceeds from sale of commercial buildings to resident persons</td>
<td>30%*</td>
</tr>
</tbody>
</table>

### Resident individual annual chargeable income (Rwf)

<table>
<thead>
<tr>
<th>Annual Income Range</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 360000</td>
<td>0%*</td>
</tr>
<tr>
<td>Exceeding 360001 to 12 million</td>
<td>20%*</td>
</tr>
<tr>
<td>Exceeding 1200001 and greater than ?</td>
<td>30%*</td>
</tr>
</tbody>
</table>

### Non-resident individual annual chargeable income (Rwf)

<table>
<thead>
<tr>
<th>Annual Income Range</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
<td>Exceeding 360001 to 12 million</td>
<td>20%*</td>
</tr>
<tr>
<td>Exceeding 1200001</td>
<td>30%*</td>
</tr>
</tbody>
</table>

* Final tax
** Final tax and withheld at source
Capital gains tax

There is no separate CGT legislation. However, CGT from business is taxable under the provisions of the Income Tax Act. Capital gains resulting from the sale or cession of commercial immovable property is taxed at a rate of 30%.

Capital gains arising from secondary market transactions on listed securities are exempt from CGT.

Transfer pricing and thin capitalisation rules

There are no specific transfer pricing rules. However, the income tax law provides guidance on transfer pricing. Transactions should take place at arm’s length.

Interest expenses paid to related entities are non-deductible for tax purposes if the debt-to-equity ratio exceeds 4:1. This excludes reserves and retained earnings.

Inheritances and donations

Donation and gifts are taxed at 30%.

Transaction taxes

The standard rate of value added tax (VAT) is 18%. However, there are some services and goods which are either zero-rated or exempt.

Stamp and transfer duty

There is no stamp duty.

Customs taxes

General external tariff (for goods not originating from East Africa) under the East African Customs Union stipulates import duty rates of 0% for raw materials, 10% for semi-finished goods and 25% for finished goods.
Double tax treaties and applicable withholding tax rates

<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends (%) Qualifying Companies</th>
<th>Interest (%)</th>
<th>Royalties, etc. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritius</td>
<td>15</td>
<td>15</td>
<td>15 (under review)</td>
</tr>
<tr>
<td>South Africa</td>
<td>10*</td>
<td>15</td>
<td>10**</td>
</tr>
<tr>
<td>Belgium</td>
<td>10</td>
<td>10</td>
<td>10**</td>
</tr>
</tbody>
</table>

* 10% if the beneficial owner is a company which holds at least 25% of the company paying the dividends. In all other cases the withholding tax will be a maximum of 15%
** Final tax and withheld at source

Investment information

Investment rules
Rwanda has a positive attitude towards foreign private investment and aims to protect and attract foreign investment. Generally, foreign and local investors may engage in any type of business activity. Foreign investors are required to first obtain an investment licence from the Rwanda Development Board (RDB).

Investment incentives
» An investment allowance of 40% of the invested amount in new or used assets may be depreciated (excluding motor vehicles that carry less than eight (8) persons, except those exclusively used in a tourist business) is deductible for a registered investor in the first tax period of purchase or of use of such an assets.
» The investment allowance becomes 50% if the registered business is located outside Kigali or falls within the priority sectors determined by the Investment Code of Rwanda.
» If the business profit results in a loss in a tax period, the loss may be deducted from the business profit in the next five (5) tax periods, earlier losses being deducted before later losses.
» A registered investment entity that operates in a Free Trade Zone and foreign companies that have their headquarters in Rwanda pay corporate income tax at the rate of zero per cent (0%).
A registered investor shall be entitled to a profit tax discount of a certain amount if they employ a required number of Rwandans:

- (2%) if the investor employs between 100 and 200;
- (5%) if the investor employs between 201 and 400;
- (6%) if the investor employs between 401 and 900;
- (7%) if the investor employs more than 900;
- A taxpayer who exports commodities or services that generate foreign currency between US$3 million and US$5 million in a tax period is entitled to 3% tax discount;
- If he or she exports commodities or services that bring to the country more than US$5 million in a tax period, he or she is entitled to a tax discount of 5%;
- Companies that carry out micro finance activities approved by competent authorities pay corporate income tax at the rate of 0% for a period of 5 years from the time of the approval of the activity;
- Duty exemption on raw materials, plant and machinery and other inputs;
- Stamp duty exemption;
- Duty drawback to apply on input of goods from domestic tariff area; or
- No export tax.

**Exchange controls**

Exchange control is administered by the Bank of Rwanda and is governed by Exchange Control. Both the current account and capital account have been liberalised. All residents and non-residents are free to bring in and take out capital with minimal restriction.

**Residence and work permits**

All persons undertaking employment must have a valid visa which is renewable after a year.

Application fee: Rwf 100 000 (can vary depending on specific work activity).
Licence fee: no fee
Police clearance required from the country where the applicant has lived for the last six months.

Category A permit: Rwf 50 000 ($83) workers earning a gross salary of at least Rwf 500 000 ($830)
Category B permit: Rwf 10 000 ($17) workers earning a gross salary less than Rwf 500 000($830)
The fees payable for a work permit depend on the class and they are as follows:

<table>
<thead>
<tr>
<th>Work permit fees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Category A (prospecting and mining)</td>
<td>Rwf 100 000</td>
</tr>
<tr>
<td>Category B (agriculture and related activities)</td>
<td>Rwf 100 000</td>
</tr>
<tr>
<td>Class C (prescribed professionals)</td>
<td>Rwf 100 000</td>
</tr>
<tr>
<td>Class D (diplomats)</td>
<td>No charge</td>
</tr>
<tr>
<td>Class E (government and parastatal)</td>
<td>Rwf 100 000</td>
</tr>
<tr>
<td>Class F (manufacturing)</td>
<td>Rwf 100 000</td>
</tr>
<tr>
<td>Class G1 &amp; G2 (specific trade, business and services)</td>
<td>Rwf 20 000 and 100 000</td>
</tr>
<tr>
<td>Class H (specific employment by specific employer)</td>
<td>Rwf 100 000</td>
</tr>
<tr>
<td>Class J (Approved Religious activities)</td>
<td>Rwf 100 000</td>
</tr>
<tr>
<td>Class K (Hospitality industry)</td>
<td>Rwf 100 000</td>
</tr>
</tbody>
</table>

### Annual budget announcement

The Minister of Finance announces the annual Budget and Taxation Proposals in June of each year for the tax year commencing on 1 July thereafter.

### Bilateral trade and agreements

Membership – WTO, ACP-EU Partnership Agreement, COMESA and East African Customs Union. Trade agreements concluded with USA, Germany, Netherlands and Switzerland.

### Economic statistics

<table>
<thead>
<tr>
<th>Economic statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime Interest Rate (January 2014)</td>
<td>16.93%</td>
</tr>
<tr>
<td>US$ Exchange Rate (February 2014)</td>
<td>Rwf 667.328</td>
</tr>
<tr>
<td>Inflation (November 2013)</td>
<td>4.58</td>
</tr>
<tr>
<td>GDP (2012)</td>
<td>US$7.103 billion</td>
</tr>
</tbody>
</table>
Travel information

<table>
<thead>
<tr>
<th>Travel information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visa requirements</td>
</tr>
<tr>
<td>Flights</td>
</tr>
</tbody>
</table>

Currency
The Rwandan Francs (Rwf) which equals 100 centimes.

Languages
The official language is Kinyarwanda. English and French are also spoken.

Official holidays

- 1 January (New Year’s Day)
- 1 February (National Heroes’ Day)
- 8 March (International Women’s Day)
- 29 March (Good Friday)
- 7 April (Tutsi Genocide Memorial Day)
- 1 May (Labour Day)
- 1 July (Independence Day)
- 4 July (Liberation Day)
- 8 August (Eid al Fitr)*
- 15 August (Assumption Day)
- 25 (Christmas Day)
- 26 December (Boxing Day)

* To be confirmed depending on the appearance of the moon.
Contact us

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Country Leader  
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E: jndungu@kpmg.com

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