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TAX GUIDE - 2024/2025

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WHATS INSIDE

Summary of Tax Changes in June 2025	4
Income Tax	6
Value Added Tax (VAT)	16
Tax Procedures	18
Transfer Pricing Rules	20



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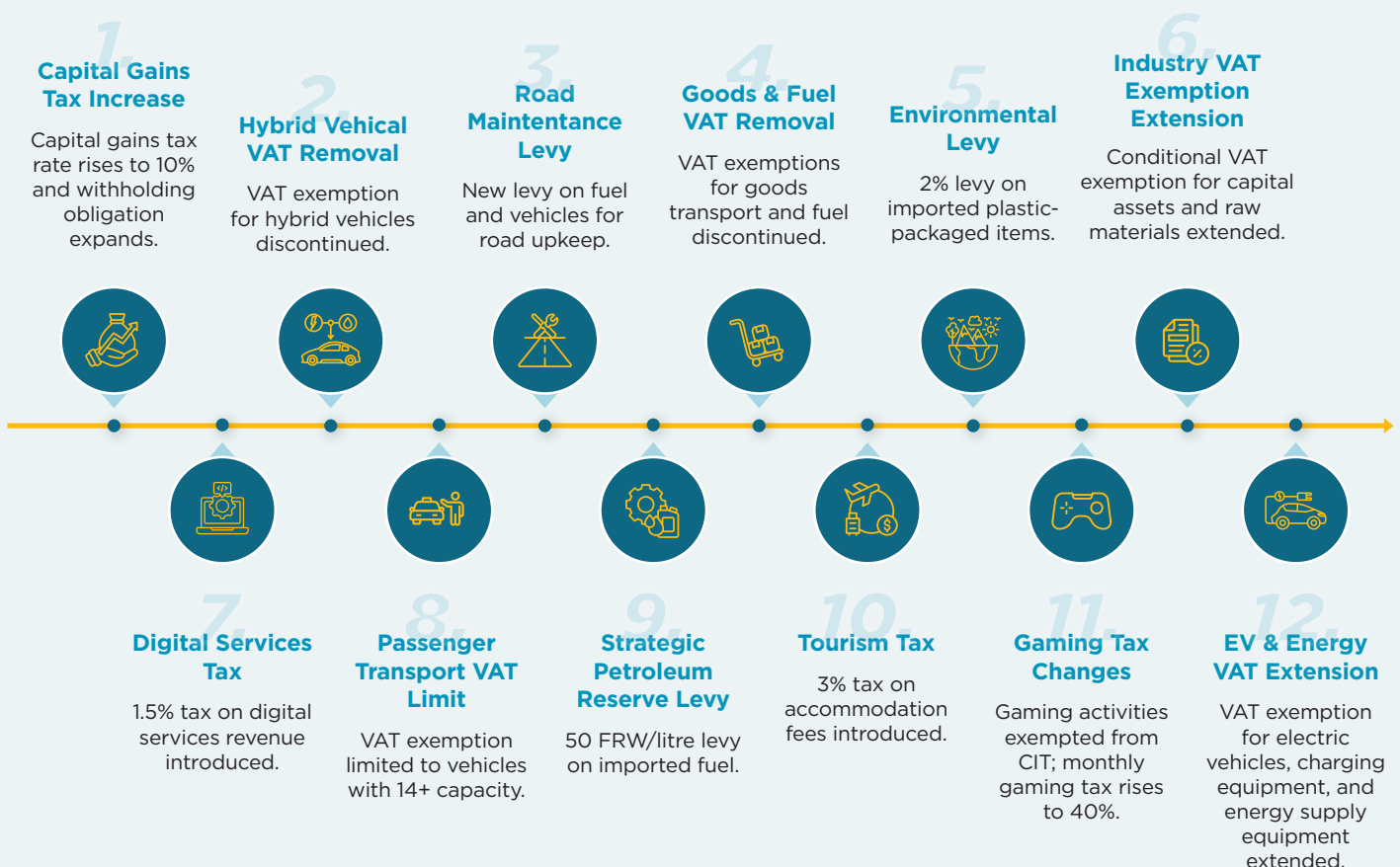
SUMMARY OF TAX CHANGES IN JUNE 2025

Tax Head	Change	Effective Date
CIT (Income Tax)		
Capital Gains	<ul style="list-style-type: none"> Capital gains tax rate increased to from 5% to 10% Obligation to withhold is extended to include all parties 	29/05/2025
Gaming Activities	<ul style="list-style-type: none"> Exempted from Corporate Income Tax Monthly tax on the difference between the total amount wagered and the winnings awarded increased from 13% to 40% 	30/08/2025
Digital Services	<ul style="list-style-type: none"> 1.5% of gross revenue for companies supplying digital services with substantial digital presence Ministerial order to be published for details 	29/05/2025
Value Added Tax (VAT)		
Hybrid Vehicles	VAT exemption discontinued.	29/05/2025
Electric Vehicles & Charging equipment	VAT exemption extended to June 2028	01/07/2028
Energy supply equipment	VAT exemption extended to June 2028	01/07/2028
Capital assets & Raw materials for industries	Conditional VAT exemption extended to June 2026	01/07/2026
Passenger Transport by road	Exemption limited to vehicles with capacity above 14 or more	29/05/2025
Transport of goods	VAT exemption discontinued	01/06/2025
Fuel	VAT exemption discontinued	01/06/2025

1. New Taxes

Tourism Tax on accommodation	<ul style="list-style-type: none"> 3% of value before VAT Charged on accommodation fees 	01/07/2025
Environmental Levy	<ul style="list-style-type: none"> 2% of customs value Charged on imported items packaged in plastic material 	01/07/2025
Road Maintenance levy	<ul style="list-style-type: none"> Charged on petrol(PMS), diesel (AGO) and motorvehicles Rates: Petrol & Diesel; 15% customs value Motor vehicles: Annual according to vehicle category (lowest 50,000 highest 150,000) Payable 31st December Paid for each vehicle 	29/05/2025
Strategic Petroleum Reserve Levy	<ul style="list-style-type: none"> 50 Frw per Liter Applicable on import of Petrol (PMS) and Diesel (AGO) 	29/05/2025

Key Tax Policy Changes in Rwanda (2025-2028)





1 INCOME TAX

Key Updates

The income tax law of 2022, was amended in May 2025 affecting the taxation of gaming activities, capital gains tax and withholding tax.

The law establishing tax on income deals with Corporate Income Tax, Personal Income Tax, Capital Gains Tax, Withholding Tax and Tax on Gaming activities.

The main features in the income tax;

1. Corporate Income Tax for businesses under the real regime is 28%.
2. Micro businesses with revenue below 2m Rwf a year are exempted from Income Tax.
3. Micro businesses with revenue below 20m Rwf can pay flat rates based on turnover.
4. Exempt income for individuals under Personal Income Tax, or Pay as you earn (PAYE) is 60,000 Rwf monthly (720,000 Rwf annually).
5. The first 12m Rwf income from agriculture is exempt.



Micro businesses with revenue below 20 m Rwf can pay Flat rates based on turnover.

Residence

Each tax period, a resident taxpayer is liable to personal income tax from all domestic and foreign sources.

Resident entities are liable to corporate income tax on business profit per tax period whether from domestic or foreign operations.

i). For Individuals;

An individual is considered to be a resident in Rwanda if;

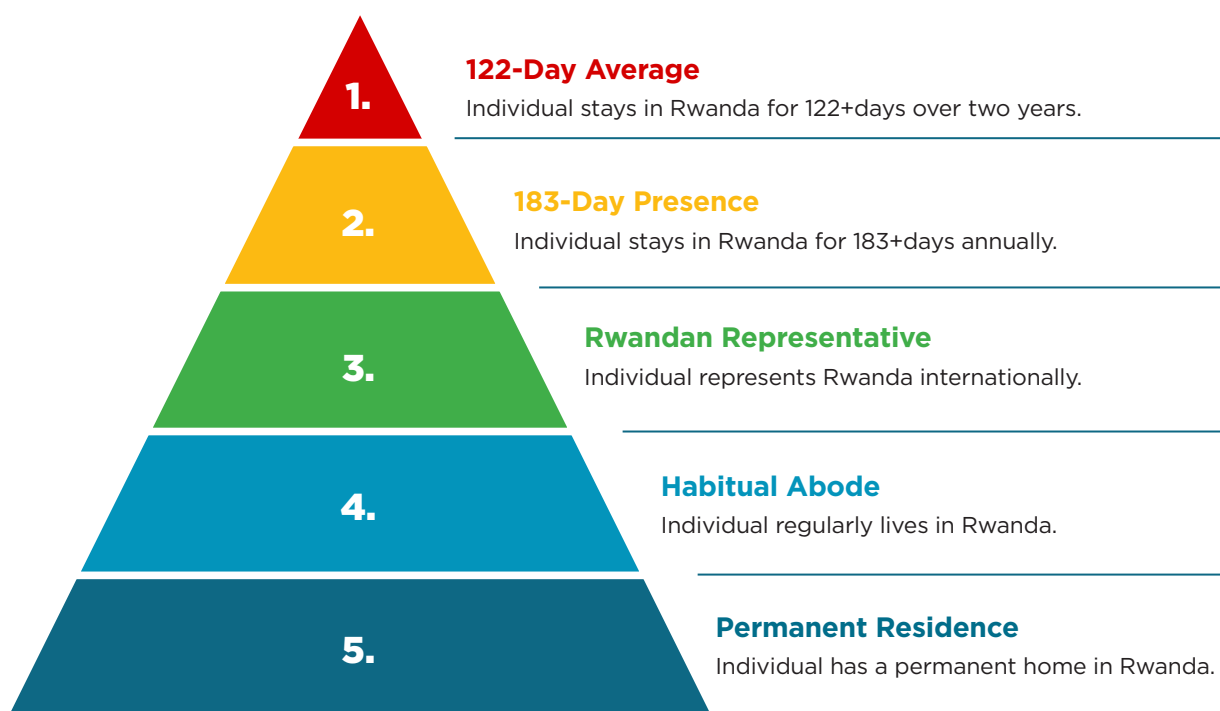
- Has a permanent residence in Rwanda

- Has a habitual abode in Rwanda
- A Rwandan representing Rwanda abroad
- Present in Rwanda for an aggregate 183 Days or more in a year
- Present in Rwanda for an average of 122 Days in each of the preceding two year

ii). For Entities;

- Registered in Rwanda
- A place of effective management in Rwanda

Rwandan Residency Criteria



Permanent Establishment

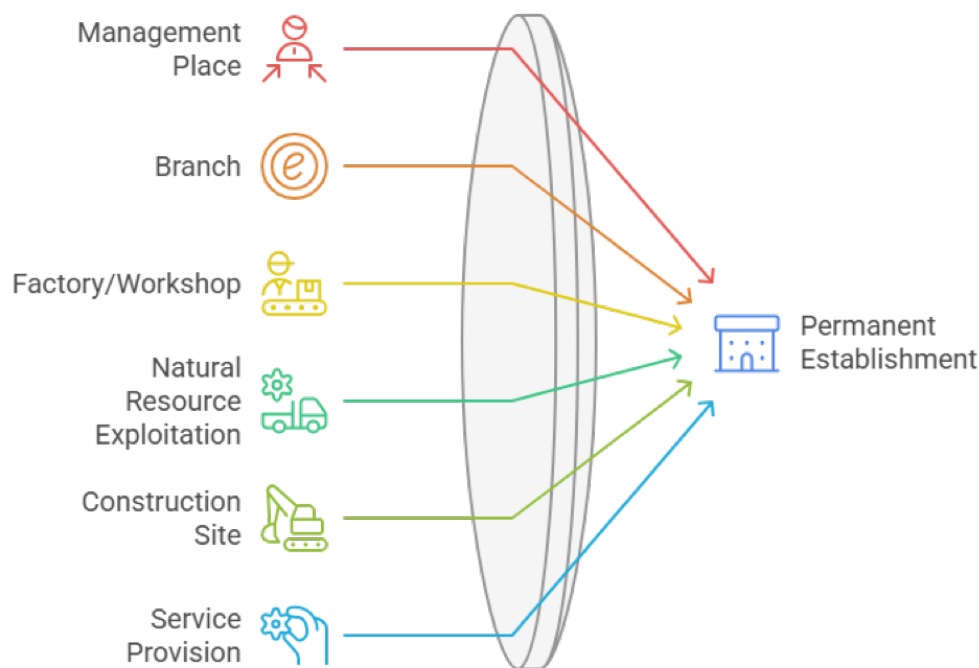
Non-resident entities are liable to corporate income tax on business profit equivalent to the income tax applicable to resident entities through their permanent establishments in the country.

Permanent Establishment Includes at Least one of the Following Places:

- A place of management
- A branch
- A factory or workshop

- A mine, quarry or any place for exploitation of natural resources
- A site set for construction
- A place for provision of services with support of employees for more than 90 days

A person with authority to negotiate and conclude contracts, or play substantial role in concluding contracts on behalf of the entity is considered a permanent establishment.



Exemptions

1. Income from collective investment schemes
2. Income from Rwandan employee's shares within a company
3. Revenue from agricultural activities up to 12m

Corporate Income Tax (CIT)

Entities Subjected to CIT

- Domestic & foreign companies registered in Rwanda
- Co-operative societies
- State owned companies
- Trusts – trustee, enforcer or protector of a trust
- Foundations
- Non-residents with a permanent establishment
- Entities established by districts or the City of Kigali for income generating activities
- An association or entity that is established to realise profits regardless of its nature
- The district
- The National Bank of Rwanda
- Public institution in charge of social security (RSSB)
- Development Bank of Rwanda
- Agaciro Development Fund Corporate Trust
- Business Development Fund limited, “BDF Ltd”
- Qualified pension funds
- Organisations that carry out only faith-oriented activities, humanitarian, charitable, scientific or educational character unless those entities conduct a business
- International organisations or agencies of technical cooperation where exemption is provided for by international agreements or an agreement with the Government of Rwanda

Entities Exempted from CIT

- The Government of Rwanda;
- The City of Kigali

- Common benefit foundations
- Special purpose vehicle, unless the revenue received exceeds the corresponding expenses
- Resident trustee for income earned by a foreign trust
- Gaming activities

2. Correspond to a real expense and can be substantiated with proper invoice or receipts accepted by the tax administration (EBM receipts)
3. Lead to a decrease in the net assets of the business (e.g depreciation)
4. Used for activities related to the tax period in which they are incurred

Allowable Expense

Conditions for Deductible Expenses

1. Incurred wholly and exclusively for the purpose of business and they are directly chargeable to the income

Depreciation Rates

Asset Type	Rate	Basis	Comments
Buildings, heavy industrial equipment and machineries	5%	Straight line	Each asset
Intangible assets purchased from a third party	10%	Straight line	Each asset
ICT systems with at least 10 years useful live	10%	Straight line	Each asset
Computers, accessories & ICT systems with less than 10 years useful life	50%	Declining balance	Pooling
All other assets (Motor vehicles, equipment, furniture & fittings)	25%	Declining balance	Pooling

Non Deductible Expenses

- Fine and penalties
- Donations, except those given to non-profit making organisations not exceeding 1% of turnover
- Personal consumption expenses
- Entertainment expenses
- 20% of expenses paid on business overheads whose private and business use cannot be practically separable

- Unrealised foreign exchange losses
- Aggregate of management, technical and royalty fees paid to non-resident related person exceeding 2%
- Interest from loans between related persons on total loans in excess of four (4) times of the amount of paid-up equity
- Realised foreign exchange loss arising from total loans between related persons in excess of four (4) times of the amount of paid-up equity.

Non Deductible Expenses



20% of expenses paid on business overheads whose private and business use cannot be practically separable are non-deductible expenses.

Rates

Tax	Rate	Comments
1. Real Regime/Tax on Profit		
Businesses: Revenue Above 20m Rwf.	28% on profit.	<ul style="list-style-type: none"> Voluntary for small business with turnover below 20m Rwf Rate discounts or special rates are provided for under the Investment Law.
2. Lumpsum Regime/Turnover Tax		
Small businesses: Revenue between 12m and 20m.	3% on turnover.	<ul style="list-style-type: none"> Default registration for small businesses Not applicable to Liberal professionals, Professionals in practice must keep accounts and pay tax on profit.
3. Flat Tax Regime		
Micro Businesses Revenue 2m to 4m	60,000 Rwf	<ul style="list-style-type: none"> Requires request with RRA after business registration from the default designation.
Micro Businesses Revenue above 4m to 7m	120,000 Rwf	
Micro Businesses Revenue above 7m to 10m	210,000 Rwf	
Micro Businesses Revenue above 10m to 12m	300,000 Rwf	
Road Transport Operators; (Motorbikes, Taxis, Buses, Vehicle hires, Trucks, Earth movers)	Flat Tax per vehicle/equipment according to type and engine size.	<ul style="list-style-type: none"> Requires registration for each vehicle/equipment. Tax is due quarterly. Suspension or deregistration possible when vehicle not in use.

Special Rates

Benefitting Entity	Rate	Comment
Licensed Deposit Taking Microfinance Institutions	0% (First 5 years)	Renewable subject to conditions.
Newly Listed Companies at RSE	20% (First 5 years from date of listing)	Sells at least 40% of shares to the public.
	25% (First 5 years from date of listing)	Sells at least 30% of shares to the public.



Personal Income Tax

Taxable Sources of Income

- Employment
- Business activities
- Investments
- Capital gain
- Use, sale and transfer of immovable property allocated to the business
- Use, sale or free transfer of movable property allocated to the business

Exemption from Declaration of Income Tax

A person is not required to file his or her annual tax declaration if the person;

1. Has an annual turnover of less than 2,000,000 Rwandan francs
2. Receives only employment income, or

3. Receives only income on investment that is subject to withholding tax

Employment Income

Employment income includes all payments paid to an employee by his/her employer in cash or in kind in relation to the work performed.

These include;

- Salaries and wages including commissions, bonuses, gratuity and leave payments
- Allowances – subsistence, entertainment, travel, hardship/exceptional conditions (benefits in cash)
- Payments for redundancy, loss or termination of contract
- Pension payments
- Payments made in respect of previous, current or future employment



Employment income includes all payments paid to an employee by his/her employer in cash or in kind in relation to the work performed.

Benefits in Kind

Transport	Availability and use of a motor vehicle to an employee	10% Excluding Benefits in Kind
Housing	Use or availability for use of premises including or excluding any household equipment	20% Excluding Benefits in kind
Loans & Advances	Amount exceeding 3 months' salary	Interest at BNR rate minus interest paid by employee

Rates

PAYE & PIT Rates			
Monthly Bands (Rwf)	Annual Bands (Rwf)	Rate	<ul style="list-style-type: none">• Applies to employees under PAYE• Applies to businesses registered as Sole Proprietorships• Applies to Natural Persons in a Partnership
0 – 60,000	0 – 720,000	0%	
60,001 – 100,000	720,001 – 1,200,000	10%	
100,001 – 200,000	1,200,001 – 2,400,000	20%	
> 200,000	>2,400,000	30%	
Casual Employees			
0 – 60,000		0%	<ul style="list-style-type: none">• Employee that performs labour with no special skills, and• Not engaged for more than 30 days in a Year in aggregate
> 60,000		15%	

Withholding Taxes

Payments Subject to withholding Tax

- Dividends
- Financial interest
- Royalties
- Service fees, including management and technical fees
- Performance payments
- Goods sold in Rwanda
- Profit after tax or retained earnings converted into shares
- Profits repatriated from Rwanda

Exceptions

- Interest
 - a. Deposits for more than 1 year
 - b. Loans from Foreign Development Institutions exempted from tax in the country of origin
 - c. Loans from Foreign banks for to local banks and deposit taking MFIs
- Transport services
- Dividends to resident companies
- Note that although withholding taxes are due after payment, withholding tax must be paid within Six months after year end if no payment has been made to the supplier or beneficiary.

Rates

- Allowances to a board member – 30%
- Withholding tax on payments – 15%
- Dividends & Interest from instruments listed in RSE – 5%
- Treasury bonds with at least 3 years maturity – 5%

Persons Exempted from Withholding Tax

- Those whose business profit is exempted from taxation.



**Service fees,
including
management and
technical fees
are subjected to
withholding tax.**



Other Withholding Taxes

Winnings on Gaming Activities	25%	Winning amount minus amount invested by the player
Goods Imported for Commercial Use	5%	Paid at customs, at CIF amount
Public Tenders	3%	On the amount before VAT
Public Tenders	15%	If recipient is not registered with RRA

Double Taxation Treaties

The withholding tax rates applicable for recipients from countries that have signed double taxation treaties with Rwanda:

Recipient	WHT (%)			
	Dividends	Interest	Royalty	Management or Professional Fees
Non-treaty:	15	15	15	15
Treaty:				
Barbados	7.5	10	10	15
Belgium	0/15	10	10	10
China, the People's Republic of	7.5	8	10	10
Congo, Democratic Republic of the	10	10	10	14
Jersey	10	10	10	12
Luxembourg	10	10	10	10
Mauritius	10	10	10	12
Morocco	8	10	10	10
Qatar	5/10	10	10	10
Singapore	7.5	10	10	10
South Africa	10/20	10	10	10
Turkey	10	10	10	10
United Arab Emirates	7.5	10	10	10



2 VALUE ADDED TAX (VAT)

Taxable Supplies

Taxable Goods

VAT is charged on all goods supplied by a taxpayer in Rwanda except the ones which are exempted.

Taxable services

Services supplied are taxable if the services provider is a resident of Rwanda and the service is useful to the recipient in Rwanda.

Service Supplied in Rwanda

A service is supplied in Rwanda if any of these conditions apply:

- The supplier is a resident in Rwanda
- The supplier has headquarters in Rwanda only
- The supplier has headquarters in Rwanda and elsewhere, but the HQ most directly concerned with the supply is the one in Rwanda
- The recipient of the service needs it, or benefit from it in Rwanda where the supplier has no headquarters in Rwanda



Services supplied are taxable if the services provider is a resident of Rwanda and the service is useful to the recipient in Rwanda.

Exported Service

A service provided for use or consumption outside Rwanda whether the service is supplied in Rwanda or both inside and outside Rwanda but which does not have any impact on the recipient's interest in Rwanda.

Rates of Valued Added Tax

- 0% - For Zero-rated goods & services
- 18% - All other goods & services supplied in Rwanda or Imported

Zero - Rated and Exempt Goods

When a good or service is zero rated and exempted at the same time, it will be considered as zero-rated.

Value Added Tax Point

The tax point for the supply of goods and services is the one that is the earliest among the following;

- The date of the invoice
- The date of payment, including partial payment
- The date of delivery of goods to the customer or removed from store/ premises
- The date of delivery of the service

Acquisition of Foreign Services

Recipients of foreign services which are not available in Rwanda are allowed to deduct input tax from output tax.

However, to be allowed input deduction, the taxpayer importing the foreign services must request for authorisation from the Minister at least 2 months before importing the service.

Modalities to Apply for Authorization

1. An application letter with supporting documents
2. Show prove that a tender was called with no successful bidder in Rwanda
3. A recommendation letter issued by a competent regulator organ certifying that;

- a. there are no providers of the service in Rwanda or
- b. those existing do not have a satisfactory standard to provide the service

Value Added Tax Refund

If the input tax exceeds output tax, the surplus tax is refunded to the taxpayer. The refund must be claimed in its taxable period.



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3 TAX PROCEDURES

Requirement to Keep Books

Books of accounts and records referred to in shall be kept for a period of ten (10) years.

Business Type	Turnover (Rwf)	Requirement
Micro-Enterprise	2m to 12m	Sales records only.
Small Business	12m to 20m	Sales, purchases, stock, cash book, debtors and creditors.
Business	20m and above	Books of accounts according to IFRSs and transfer pricing documentation.
	600m and above	Certified (audited) accounts.

Fines, Penalties and Interest

Interest for Late Payments

Rate	Period of delay
0.5%	First six months.
1%	Six to 12 months.
1.5%	Above 12 Months.

Fines for Failure to Declare and Pay on Time

Rate	Period of Delay and Payment
20%	1 to 30 days.
40%	31 to 60 days.
60%	Above 60 days.

Fines for Late Payment when Declaration was Done on Time

Rate	Period of Delay and Payment
5%	1 to 30 days.
10%	31 to 60 days.
30%	Above 60 days.

Transfer Pricing Fines

Rate	Comments
5% value of Transaction	<ul style="list-style-type: none"> Failure to provide information. Providing incomplete, incorrect or misleading information, in relation to controlled transactions.

Fixed Administrative Fines

Category	Fixed Fine (Rwf)	Comments
Natural person	50,000	<ul style="list-style-type: none"> Failure to submit tax declaration on time. Failure to co-operate with RRA. Failure to keep books of accounts. Failure to comply with any requirements.
Turnover between 2m and 20m	50,000	
Public institution	300,000	
Non-profit organisation	300,000	
Turnover above 20m	300,000	
Large taxpayer	500,000	

Fines for Failure to Provide Information to RRA

Category	Fixed Fine (Rwf)
Turnover between 2m and 20m	500,000
Turnover between 20m and 200m	2,000,000
Turnover between 200m and 600m	3,000,000
Turnover above 600m	5,000,000
Failure to submit certified financial statements when required	500,000 monthly

Transfer pricing (TP) refers to the rules and methods for pricing transactions within and between enterprises under common ownership or control.



4 TRANSFER PRICING RULES

They provide the basis for adjustment of prices that differ from what would have been charged by unrelated enterprises dealing at arm's length (the arm's-length principle).

Controlled Transaction

Transactions with related parties where one party or its representative is subject to tax in Rwanda, and a related party residing in or out of Rwanda.

Deemed Controlled Transaction

Transactions with parties that are not related where one party or its representative is subject to tax in Rwanda and any other party operating in a country considered to offer beneficial tax regime.

Beneficial Tax regime

A country that;

- Income tax is at a maximum of 20%
- Grants tax breaks to non-residents
- Has no requirement for substantial economic activity within its jurisdiction, or
- Does not allow access to information on corporate structure of legal entities

Transactions Subject to Adjustment of Prices

- Sale, purchase or transfer for free of goods, or lease of tangible assets
- Sale, purchase, transfer for free, or licensing of intangible assets
- Provision of services
- Lending or borrowing of money
- Any transaction that affects profit or loss

Threshold for Preparation of Transfer Pricing Documentation

- Annual turnover above six hundred million Rwf
- For persons with turnover below 600m:
 - a single controlled transaction with the value of ten million Rwandan francs or more, or
 - an aggregate controlled transactions of one hundred million Rwandan francs or more

Documentation Requirements

- a. Develop a transfer pricing policy, and
- b. Prepare and keep the documentation that verifies that the conditions of its controlled transactions for a tax period are consistent with the arm's length principle.

Tax Declarations Calendar

Date	Tax	Comments
Every 15th of the month	PAYE, WHT, RSSB, VAT	There is an option for quarterly declarations for small businesses with turnover below 200m (except for WHT)
31 st Jan	Trading Licence	For annual or quarterly declaration
31 st Jan	Rental Income tax	For individuals not registered for income tax
31 st March	Corporate Income Tax, (Real & Lumpsum & Flat regimes)	Submission of audited/certified accounts may be extended on application for 3 months
April 30 th	Trading Licence (Quarter 2)	
June 30 th	IQP Q1(Quarterly CIT prepayment)	Based on Quarter turnover
July 30 th	Trading Licence (Quarter 3)	
July 30 th	RDB Annual Return	Annual Accounts, companies with turnover above 600m must be file audited accounts
September 30 th	IQP Q2 (Quarterly CIT prepayment)	
October 30 th	Trading Licence (Quarter 4)	
December 31 st	Property Tax	
December 31 st	IQP Q3 (Quarterly CIT prepayment)	



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