



# Tax Alert

## RRA Unveils New Directives and Decisions on Tax Procedures and Administration

January 2024

In a recent development, the Rwanda Revenue Authority (RRA) has issued a comprehensive set of guidelines and rulings aimed at assisting taxpayers navigate the implementation of newly introduced tax laws and procedures. This Tax Alert aims to furnish a succinct analysis of the guidelines and rulings, shedding light on the obligations they impose and their implications for businesses.

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### 1. Public Ruling by the Commissioner General (CG) on Amended Income Tax Legislation

A notable modification brought about by the Law amending the income tax legislation, officially gazetted on 14 September 2023, is the reduction of the Corporate Income Tax (CIT) rate from 30% to 28%. However, this change has prompted inquiries regarding the effective commencement date of the new rate and its application within the tax period in which the law was gazetted.

Addressing these queries, the CG released a public ruling on 4 January 2024, affirming that the 28% rate would not be applied retrospectively. The clarification stipulates that the new rate comes into effect from September 2023. Consequently, taxable income will be subject to a prorated calculation. Income earned before September 2023 (eight months) will be taxed at 30%, while income earned after this date (four months) will be taxed at 28%.

To accommodate this adjustment, the RRA has updated the online tax declaration system. Line 125 of the CIT returns now reflects a calculated rate of 29.33% (30% for 8/12 + 28% for 4/12), deviating from the standard rate of 30%. This modification ensures a precise and equitable application



of the amended CIT rate. The public ruling may be accessed via this [link](#).

### 2. RRA Guidance on Year-End Tax Compliance for 2023

In its commitment to fostering compliance, the RRA issued a crucial reminder on 20 December 2023, outlining key tasks for taxpayers to complete before the close of the year. This reminder served as a preparatory measure for filing 2023 income taxes, emphasising the identification of acceptable expenses, conducting stock inventory, rectifying potential discrepancies, and encouraging early declarations.

Additionally, on 9 January 2024, the RRA convened a meeting with key stakeholders,



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including Institute of Certified Public Accountants of Rwanda (ICPAR), the Association of Tax Advisors (ATA), and the Private Sector Federation (PSF). During this session, RRA provided comprehensive guidance on the expectations from taxpayers when completing tax declarations.

Notably, RRA underscored that expenses deductible from taxable income must be substantiated by Electronic Billing Machine (EBM) receipts, Customs DMCs, withholding tax returns (including PAYE declarations), or decentralised tax returns.

For expenses not supported by EBM receipts or other specified documentation—such as purchases from farmers, internal expenses (e.g. per diem for travel costs), depreciation, financial expenses (interest, arrangement fees, etc.), foreign purchase, services purchased from public institutions, and accounting adjustments — a designated ledger will be integrated into the online tax declaration. Taxpayers are required to populate this ledger with expenses lacking EBM receipts, and submission of the completed ledger is due by 15 February 2024.

Importantly, RRA will review and approve the expenses in the ledger, incorporating them into individual taxpayers' e-tax declarations. Expenses not approved by RRA will not be allowed. Although stakeholders expressed concerns about the ledger's completeness and the tight 15 February deadline, RRA assured them of contingency plans to address any challenges that may arise from these new administrative initiatives. The guidance can be accessed via this [link](#).

### 3. Phasing Out Non-Integrated POS Systems by RRA

In a data-driven approach, the RRA identified a compliance disparity between taxpayers utilizing parallel Point of Sale (POS) invoicing systems and those seamlessly integrated with Electronic Billing Machines (EBM). Notably, this trend was particularly evident among taxpayers in the hospitality sector (i.e hotels, bars, and restaurants) and general trade (supermarkets).

In response to this challenge, RRA officially declared on 24 November 2023 that, starting May 2024, systems not integrated with EBM would be prohibited. To assist taxpayers in the integration process, RRA directed them to seek support from technology-companies listed in the announcement, which have demonstrated expertise in this domain.

The announcement also suggested alternative solutions, urging taxpayers to utilize the EBM mobile application or the EBM web portal for invoicing. This strategic move aligns with RRA's commitment to fostering uniform compliance and leveraging technology for efficient and transparent financial transactions. The announcement may be accessed via this [link](#).

### 4. Enhanced Criteria for Quitus Fiscal Certification

Quitus Fiscal, a certificate verifying the absence of outstanding tax liabilities and tax compliance of a particular taxpayer, is issued by the RRA and serves essential functions in public tenders, licence renewals, and property transfers. In a pivotal announcement on 20 December 2023, the RRA declared that Quitus Fiscal

would be granted to all qualifying individuals. RRA commits to providing comprehensive guidance to taxpayers on the application process, however a list of requirements for the application is provided under this [link](#).

### 5. Enhanced Customs Operations: Recent Guidelines from RRA

In a proactive move, the Rwanda Revenue Authority (RRA) introduced fresh guidelines on 3 January 2024 to address malpractices impacting revenue collections within customs operations. Stakeholders engaged in customs operations actively participated by proposing solutions to identified issues, which included (1) the use of forged documents, (2) facilitation of fraud, and (3) inaccurate descriptions of goods.

These new guidelines are designed to bolster the verification and valuation of goods, fortify measures for detecting and preventing fraud, enforce penalties and sanctions, and foster collaboration and coordination among customs officers and other relevant agencies. Furthermore, the guidelines delineate the specific roles and responsibilities of key players such as customs brokers, clearing agents, importers, exporters,





transporters, and warehouse operators.

Embracing technological advancements, the guidelines advocate for the utilization of electronic systems and digital platforms to streamline customs operations, with the dual purpose of facilitating efficiency and minimizing physical contact, thereby reducing delays in the process. RRA's strategic approach aims to not only curb malpractices but also to modernize and optimize customs operations for the benefit of all stakeholders involved. To access the guidelines please click on this [link](#).

## 6. Strengthened Regulations for Customs Duty Remission

The Customs Duty Remission scheme, facilitating duty-free or

reduced-rate import of raw materials and intermediate goods for eligible manufacturers, has faced challenges with some beneficiaries misusing exemptions by importing excessive quantities. These surplus raw materials are either sold to ineligible manufacturers or retailed on the market.

To curb such misuse, the Rwanda Revenue Authority (RRA) introduced comprehensive measures on 5 January 2024 for Customs Duty Remission. The new requirements include: (1) Submission of a detailed production plan and annual forecast, (2) Provision of evidence confirming actual production and consumption of raw materials, (3) Reporting any changes or deviations from the approved plan, (4) Granting RRA authority to conduct audits and

inspections, and (5) Committing to repay duty remitted, accompanied by penalties and interest, in cases of non-compliance. These robust measures aim to safeguard the integrity of the Customs Duty Remission scheme and ensure responsible utilization by eligible manufacturers. The customs duty remission requirements may be accessed via this [link](#).

In conclusion, RRA encourages all taxpayers to acquaint themselves with the recently issued guidelines and rulings, emphasizing the importance of strict adherence.

The authority welcomes feedback and inquiries from taxpayers and stakeholders on the updated tax procedures.

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