

Rwanda announces requirements for VAT exemption applications on imported machinery, capital goods and raw materials

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On 20 July 2020 and pursuant to provisions of Article 2 of the Value Added Tax (VAT) Laws of Rwanda, the Rwandan Minister of Trade and Industry issued an announcement listing specific requirements that should be met by industries and manufacturers when filing an application for a VAT exemption on imported machinery, capital goods and raw materials. This exemption is not applicable to importers who intend to resell the imported machinery, capital goods and raw materials.

The following requirements must be met:

- ▶ The applicant must be registered in Rwanda as a company, a cooperative, or an individual enterprise
- ▶ The applicant must indicate its full address with a recognized head office
- ▶ The applicant must be processing raw materials or assembling parts to produce goods for sale or mining and quarry exploitation activity
- ▶ The application must indicate the direct link between the goods for which the exemption is sought and the industrial activity carried out or that will be carried out
- ▶ For the assembling industry, parts to be assembled must be completely separate upon importation
- ▶ Proof must be provided that the added value to raw materials is equal to at least 30%

- ▶ The exemption is only applicable to machinery, capital goods, or raw materials appearing on the list established by the Ministry of Trade and Industry and approved by the Ministry of Finance and Economic Planning

The VAT exemption application must be accompanied by:

- ▶ An application letter addressed to the Minister of Trade and Industry
- ▶ A list of raw materials, machinery, capital goods with their respective Harmonized Schedule codes
- ▶ The company's or cooperative's registration certificate

The application should be submitted to the Minister of Trade and Industry before the machinery, capital goods and raw materials are imported into Rwanda.

Within two weeks from the receipt of a valid application:

- ▶ The Ministry of Trade and Industry will analyze the respective application.
- ▶ The Ministry of Finance and Economic Planning will conduct a physical verification and send the approved list to the Rwanda Revenue Authority.

Applications for renewals will only be permitted twice a year, i.e., in January and June. However, new applicants will not be subject to these time restrictions.

As the exemption application may only be submitted twice a year, it is important to note that the announcement does not provide clarity on the process to be followed by taxpayers who import machinery, capital goods and raw materials in different quantities and on a frequent basis (e.g., on a monthly basis).

Next steps

All eligible taxpayers should familiarize themselves with the above requirements in order to ensure that their VAT exemption applications are submitted within the acceptable time periods and in the prescribed manner.

Taxpayers who frequently import machinery, capital goods and raw materials may consider working with their local tax professional(s) to engage the concerned government ministries and agents on the process to be followed on each consignment imported.

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