RWANDA REVENUE AUTHORITY
TAXES FOR GROWTH AND DEVELOPMENT

VALUE ADDED TAX ON ACQUIRED FOREIGN SERVICES

HERE FOR YOU TO SERVE

I. INTRODUCTION

Rwanda Revenue authority has prepared this flyer to help taxpayers better understand the value added tax imposed on services purchased abroad according to the law in order to increase their knowledge to help them to fulfill their obligations effectively without falling into penalties.

The information provided in this flyer is sourced from the following laws:

Law nº 049/2023 of 05/09/2023 establishing the value added tax

Ministerial order nº 003/24/03/tc of 08/03/2024 determining modalities to apply for authorization to acquire foreign services not available in Rwanda

II. WHAT IS VALUE ADDED TAX (VAT)?

Value Added Tax (VAT) is a tax on goods and services produced in Rwanda and all imports excluding exemptions, which is given at a rate of zero (0) and 18%, which is added to the price paid by the buyer of the item or service, which means that the tax is deducted and paid by the final consumer, and declared and paid to the public treasury (Tax administration) by the taxpayer who received(collected) VAT from final or last consumer

III. WHEN THE VALUED TAX STARTS TO BE CALCULATED (VALUE ADDED TAX POINT)

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

(a) the date on which the invoice is issued;

(b) the date on which payment of goods and services is made, including partial payment. However, provisions of this subparagraph do not apply to advance payment made in construction services;

(c) the date on which goods are either removed from the premises of the supplier or given to the recipient;

(d) the date on which the service is delivered;

(e) the date on which a taxpayer applies for deregistration from the value added tax.

(2) Taxable goods or services provided for under this Law used for personal purposes are taxed on the date on which they are removed from the store or on the date on which the service is delivered.

IV. VALUE ADDED TAX ON ACQUIRED FOREIGN SERVICES

4.1 Application for Authorization

A taxpayer applying for an Authorization to purchase foreign services that are not available in Rwanda must be registered for value added tax

4.2 How to apply for a license;

(1) A taxpayer who applies for authorization to acquire a foreign service not available in Rwanda

(a) submits to the Minister in charge of taxes an

application letter for authorization accompanied with supporting documents;

(b) proves that he or she made a call for tenders and that no successful bidder was found in Rwanda; and

(c) provides a recommendation letter issued by a competent regulator organ certifying that there are no providers of the service in Rwanda or that those existing do not have a satisfactory standard to provide the service.

(2) However, the provisions of Paragraph (1)(b) said above do not apply to a taxpayer who seeks a service whose particularity is approved by the competent regulatory organ.

V. ACQUISITION OF FOREIGN SERVICES

(1) A taxpayer who acquires a service from a person who is outside Rwanda is considered as if he or she has received a taxable service and an output tax from that person who resides outside Rwanda.

(2) Service delivery is considered as if it was made on the date on which the service was delivered by the person who resides outside Rwanda for a value determined under this Law. The output tax is payable on the date of declaration of the value added tax for the tax period in which the service was delivered. The output tax must appear on the receipt that justified the payment to the foreign service provider and that document is considered to be the value added tax invoice.

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

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

(5) The taxpayer who wants to acquire a service not available in Rwanda must request for authorization from the Minister.

For more information, please contact us on following address:

Call Center: 3004

Website: www.rra.gov.rw

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