

FREQUENTLY ASKED QUESTIONS (FAQ)

INCOME TAX FILING UNDER EXPENSES VALIDATION

The law N° 026/2019 of 18/09/2019 in its article 15 requires any person who carries out taxable activities in Rwanda to keep for a period of five (5) years starting from 1st January of the year following the fiscal year, tax related documents as defined in article 13 and 14 of the same law. In the article 17, that person must issue an invoice generated by an electronic invoicing system certified by the Tax administration. Consequently, the income tax filing must take into consideration these invoices. The accounting practices consider the other transactions not necessarily supported by EBM receipts. A dedicated annexure has been set to contain all transactions that are not supported by either the EBM receipts, a DMC or a withholding tax declaration.

Q WHAT IS THE EXPENSES VALIDATION/ CONTROL?

A Expenses validation is the process in which the tax system validates the declaration form entries against the information already detained by RRA or third-party systems to avoid overstatement of the transaction value related to expenses.

Q WHEN IS EXPENSES VALIDATION IS APPLIED?

A Expenses validation is applied on declaration of Personal Income Tax (PIT) and Corporate Income Tax (CIT) for taxpayers filing under real regime from the period of 2021 fiscal year.

Q WHAT ARE THE CONDITIONS FOR FILING INCOME TAX UNDER REAL REGIME?

A Should be a person carrying out any business activities with an annual turnover over of 20,000,000 Rwf; a taxpayer already registered under real regime in the tax administration or a taxpayer who voluntarily wishes to file Income Tax under real regime.

Q Q/WHAT IS THE PRINCIPLE OF EXPENSES VALIDATION?

A During declaration, the deductions/expenses from income realized must not exceed the amount that the tax administration detains from its systems and third-party interconnected systems.

Q ARE ONLY EBM RECEIPTS - SUPPORTED DECLARATIONS VALIDATED FOR ALLOWABLE DEDUCTIBLE EXPENSES?

A Not only EBM receipts - supported transactions but also transactions supported by importation documents-DMC and transaction supported by withholding tax.

Q WHAT IS THE AMOUNT OF SUPPORTED EXPENSES ALLOWED FOR A PERIOD?

A The summary of Local purchases, Import value and Withholding is available to taxpayers in E-tax. You can access them by clicking on 'View purchases' button below the 'submitted declarations' button. You can as well view the details of purchases and imports summary values. The total amount in the table coincides with the maximum amount allowed as supported expenses.

Q Q/WHAT IF I MISS AN INVOICE IN THE PROPOSED LIST OF LOCAL PURCHASES?

A An invoice can miss on the list for various reasons including blacklisted taxpayers, non-reporting of EBM devise, etc. By comparing the system proposed details and the records of the taxpayers for a given period, the missing invoices can be reported to track reasons as to why they are missing. Once issue is rectified, the list is automatically updated.

Q WHAT COMPOSES THE IMPORT PROPOSED VALUE?

A The Import proposed value is composed of the CIF value and all taxes and fees charged on DMC except 5% WOP and VAT. It can also include the CIT value for the goods already in customs under the process of clearing, goods subjected to be re-exported and goods whose owner has changed.

Q AM I ALLOWED TO CONSIDER THE FULL-PROPOSED TOTAL AMOUNT AS EXPENSES?

A No, you have to follow accounting principles in consideration of the value to be accounted for in a period or allowed amount in a period. The proposed amount on invoice is the maximum on supporting documents net of VAT. For one reason or another, the consideration of part of value or non-consideration of invoice value is also possible. Reason why taxpayers have been given the right to adjust a value on an invoice to remove either the invoice or the unauthorized value of an invoice for a period under declaration. The non-considered value can be transferred in the next period, can be considered as asset value, etc. Also, an invoice of previous periods can be adjusted and added on the list of value to be considered in the post periods such as pre-payment.

Q WHERE IS THE TOTAL AMOUNT OF SUPPORTED EXPENSES FILLED ON THE DECLARATION FORM?

A Depending on the nature of the business, the allowed expenses are filled on Line 7, line 16 and line 18 of CIT or PIT real regime form. The total amount filled on all or each of those specific lines can't exceed the total amount of the EBM/DMC/WOP supported expenses

Q Q/ WHAT IS QUALIFIED AS 'THE EXPENSES NOT REQUIRING EBM RECEIPTS'

A Expenses not requiring EBM stands for receipts that are issued by the entities which are not required by the law to issue EBM receipts and other accepted accounting records that are not supposed to be necessarily supported by EBM, DMC or withholding tax.

Q WHY DOES RRA SET A LIMIT ON 'THE EXPENSES NOT REQUIRING EBM RECEIPTS'

A RRA proportionates the expenses not requiring EBM to the value of EBM/DMC/WOP supported transactions of the same period based on the study of this kind of expenses not requiring EBM/DMC/WOP.

Q WHAT IS THE LIMIT FOR 'THE EXPENSES NOT REQUIRING EBM RECEIPTS' FOR THE YEAR 2021?

A The ratio of expenses not requiring EBM receipts for 2021 is 27% of all expenses supported by EBM receipts, DMC or withholding during a filing period. However, this ratio changes each fiscal year based on the study on expenses not requiring EBM/DMC/WOP of a given period.

Q WHAT IF 'THE EXPENSES NOT REQUIRING EBM RECEIPTS' EXCEED THE SET RATIO?

A The system accepts to upload all transactions on the annexure but on the declaration form, it posts the amount equal to 27% of the value of supported expenses. After submission, the taxpayer can approach the RRA office and proves the reasons for having more expenses not requiring EBM/DMC/WOP. The reasons are analyzed and the taxpayer is assisted after signing the assistance form.

Q WHAT IF A TAXPAYER HAS ONLY EXPENSES NOT SUPPORTED BY EBM/DMC/WOP ESPECIALLY THE TAXPAYERS DEALING WITH THE AGRICULTURAL AND LIVESTOCK OPERATORS?

A The clients must seek a proof of payment and other relevant information of suppliers in that category such as ID, address, telephone number, signature which they will present to the tax administration for assistance.

Q BY WHAT MEANS CAN A TAXPAYER SEEK ASSISTANCE?

A A taxpayer can visit RRA office preferably in the district where the business is located, call the toll-free number 3004, write a letter to any RRA official or send their request email: info@rra.gov.rw or deductibleexpenses@rra.gov.rw. Remember to mention the telephone number for easy communication, the TIN of the business and the Tax center in which the business operates.

Q WHAT IF THE RRA DELAYS TO RESPOND AND I HAVE TO PAY THE TAX?

A You do a follow-up within the filing period and you pay the amount of tax due within the time limit of declaration and payment.

Q IS IT A MUST TO HAVE SIMILAR DECLARATION FORM WITH FINANCIALS STATEMENTS?

A No, you only must have a same profit subject to tax and consequently, the same calculated tax for a period under declaration.

Q HOW CAN I GET TRAINING ON INCOME TAX FILING WITH THIS EXPENSES VALIDATION?

A A request for training can be sent on email deductibleexpenses@rra.gov.rw. Training is done online with at least 10 persons to be trained. There is also a tutorial video shared on RRA's social media platforms including YouTube. More so, tax center staff are available to assist taxpayers in their respective tax centers at the district level.

Q WHAT IS THE DUE DATE FOR FILING AND PAYING INCOME TAX?

A The due date for filing and paying taxes is the 31st of March following the end year subject to the filing. For taxpayers granted the special calendar, the due date coincide with the end of the 3rd month after the end of granted period. The tax administration has the power to offer a filing and payment extension when needed.

Q Q/ FOR OTHER ISSUES RELATED TO TAXES, HOW CAN A TAXPAYER GET ASSISTANCE?

A RRA offers assistance through different channels: letters, email, social media, live chat on the website, visit to RRA offices – at the headquarter and others offices across the country, call center (3004), or individual staff contacts.

