



RWANDA - December 2017

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RRA Devises New Ways to Up Collection of Land Taxes

Rwanda Revenue Authority (RRA) has launched a campaign that aims at encouraging taxpayers to voluntarily pay land lease fees before the December 31 deadline to avoid paying fines.

The campaign, dubbed "RRA Iwacu", was launched on Wednesday in Kagugu cell, Kinyinya sector in Gasabo District where hundreds of people were encouraged to pay tax and others were helped to pay immediately at the launch.

Ernest Karasira, RRA deputy Commissioner for regional and decentralised taxes, said the campaign aims at taking services closer to the people and reminded them not to perceive paying taxes as a burden but an obligation to contribute to national economic development.

As part of the campaign, RRA has opened temporarily tax collection centres in different parts of the country especially in Kigali, where six more tax collection centres were opened.

"As you are aware land lease tax fees is paid annually before December 31, that is why we wished to launch RRA Iwacu as an initiative to come closer to the citizens, we wish this campaign to reach many Rwandans to ensure compliance without delays and incurring fines," he said.

He said that payment of land lease fees is still low as less than 50 per cent have paid, which is why the campaign was launched.

Over Rwf10 billion is targeted to be collected in land lease fees by the end of the year, and in only the three remaining weeks, the revenue body needs to collect Rwf7.7 billion, according to Karasira

"The experience we have is that taxpayers often declare and pay taxes at the end of the year and we are hopeful that, with this campaign, many people will have paid this by the end of the year though it is not easy," Karasira explained.

Land lease fees apply on inhabitable land, commercial and industrial land and cultivable land which is above two hectares.

As of Tuesday this week, Gasabo District had collected only 598 million compared to Rwf3bn that should be generated from land lease taxes.

In Nyarugenge District, Rwf700 million that is to be paid, only Rwf97 million has been paid, while in Kicukiro District only Rwf361 million was paid, less than 15 per cent, according to RRA officials.

"We have established easy ways to pay taxes, there are various ways, visiting RRA at our various offices or using our website. But since not everyone can have access to the internet, there are ways to use your mobile phone by pressing *800# and follow instructions, while people can also pay through banks."

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Calixte Ndahimana, a taxpayer, said he was ready to pay taxes for national development but raised reservations with paying taxes with mobile phone.

"I paid land transfer fees using my phone, in the same period my phone was stolen. When I sought services I was asked for proof which I did not have, I had to pay again, there is need to provide proof when someone pays fees electronically," he said.

Otherwise, we are aware of the importance of paying taxes and we all need to comply as it is a way of contributing to national development, he added.

However, officials from RRA said they were encouraging paperless system and whoever pays electronically, are registered electronically.

The Mayor of Gasabo District, Stephen Rwamurangwa, said that paying taxes is both responsibility and right of citizens.

"It is good to pay taxes on time to avoid fines that come with delays, it is better to pay now before issues of school fees and festive seasons come in, we need to understand that it is not a burden to pay taxes," he said.

"We will work together to reach targets and taxpayers should hold us accountable to ensure they get returns from their taxes such as new schools, roads and hospitals," said the mayor.

Government targets more revenues under new immovable property law

Rwandans with low income will be able to acquire decent homes by exempting them from building tax on the value of an affordable house in a new legislation that also seeks to increase tax rate on immovable property such as land and buildings.

The draft law was tabled before Parliament by Finance and Economic Planning minister Claver Gatete on Wednesday.

The minister said studies show that Rwanda's current immovable property tax rate of 0.1 per cent was too low compared to other countries in the region.

MPs urged caution but still accepted the general rationale of the new draft law that revises the 2011 law establishing sources of revenue and property of decentralised entities and governing their management.

It is a revised piece of legislation that Gatete said comes to, among others, purge loopholes identified in the implementation of the current law.

In the draft law, the tax rate on buildings was increased from 0.1 per cent to one percent of the market value of a residential building; and from 0.1 percent to 0.5 per cent of the market value of a commercial building.

But the same is maintained at 0.1 per cent of market value for industrial buildings and those owned by small and medium enterprises so as "to support the development of the industrial sector and that of nascent enterprises," with focus to the Made-in-Rwanda policy.

Land lease fee brackets were replaced by a land tax range of Rwf0 to Rwf500 per square metre. A Ministerial Order, it is indicated, will determine different ranges and criteria on which District Councils shall base to set specific tax rates per area.

There is an additional tax to discourage inefficient land use and undeveloped parcel of land. To encourage efficient use of land, the normal tax rate will increase by 50 per cent on every square meter of land in excess of the allowable standard size of a parcel of land – for residential and commercial buildings.

An additional tax rate of 100 per cent to the ordinary tax rate will be applied to any undeveloped parcel of land, it was noted.

In addition, it is proposed that there be some exemptions on land and immovable property tax in the current law. Exemption of immovable property exclusively used for medical services, research and religious activities were removed.

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According to the minister, the rationale is that they were eroding the tax base and bringing distortion in tax administration without a strong rationale.

MP Constance Mukayuhi Rwaka, the chairperson of Standing Committee on National Budget and Patrimony, cautioned that amendments in the draft law had better be realistic and reflect the reality of the country's tax base.

MP Ignacienne Nyirarukundo said taxpayers, especially unemployed home owners in the city, need not to be "squeezed."

MP Theobald Mporanyi said: "These taxes are high. The minister says they conducted research, but conducting research and gathering information are different issues."

According to the minister, in-depth research was conducted and results will be availed to lawmakers.

However, MP Abbas Mukama welcomed the removal of exemption of immovable property exclusively used for medical services, research and religious activities saying it was "long overdue."

Support low income earners

Gatete said the Bill also comes to support Rwandans with low income to acquire decent homes by exempting the building tax on the value of an affordable house, and increase the exempted portion on the gross rental income to cover costs for maintenance of rented property in line with current market conditions.

He told the lawmakers that anyone who owns a residential house valued at less than Rwf30 million will not be required to pay tax on the house.

"If you are above this, they will first deduct the amount on affordable housing. This means that if you own a house currently valued at Rwf40 million, the taxable amount is Rwf10 million only. If your house's value is Rwf50 million you only get taxed for the Rwf20 million extra alone," he said, shedding light on the matter.

The Government is also keen on giving incentives to property developers who construct high rise residential apartments and help exhaust the possibilities efficient land use.

The current law's revision, the minister explained, is aimed at implementing recommendations of the 12th leadership retreat which called for review of land taxation in a way that promotes efficient land use, among others.

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