



# Budget brief



**2019**  
**Rwanda**

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# Economic overview



**The global economy registered a decline in economic growth from 3.8% in 2017 to 3.6% in 2018. This was mainly due to US-China trade tensions, weak performance of some European and Asian countries as well as a 30% increase in oil prices. Nevertheless, the Rwandan economy performed well, growing by 8.6% in 2018 against a target of 7.2%.**

Rwanda recorded the highest GDP growth in the region at 8.6% in 2018. This growth was attributable to good performance of the manufacturing, agriculture and services sectors which grew at a rate of 10%, 6% and 9%, respectively.

Government contained average headline inflation at 1.4% in 2018 against the 4.8% recorded in 2017.

The external sector registered a 7.2% increase in exports, mainly due to lower product prices on the international markets, while imports increased by 8.1%. This increased the trade deficit to USD 906 million in 2018 from 829.2 million in 2017, representing an increase of 9.3%.

The increase in imports was as a result of the ongoing investments in infrastructure projects including the construction of the Bugesera International Airport, Peat Power Plant in Gisagara District as well as increased imports of energy products following the rise in global oil prices.

Foreign currency reserves increased to 4.7 months of the value of imports in 2018 from 4 months in 2017.

The banking sector remained well capitalised with credit to the private sector increasing by 10.8% in 2018.

The Rwanda budget for fiscal year 2019/20 aligns with the government's strategy of propelling Rwanda into a middle income country by 2035 and attaining high income status by 2050.

Out of the Frw 2.8 trillion planned for the fiscal year 2019/20, Frw 1.7 trillion is expected to come from domestic and non-tax revenues. This is an increase of 9.9% over the previous year, reflecting the positive impact of the tax reforms currently being implemented.

## Key growth highlights

8.6%

GDP

10%

Industry

6%

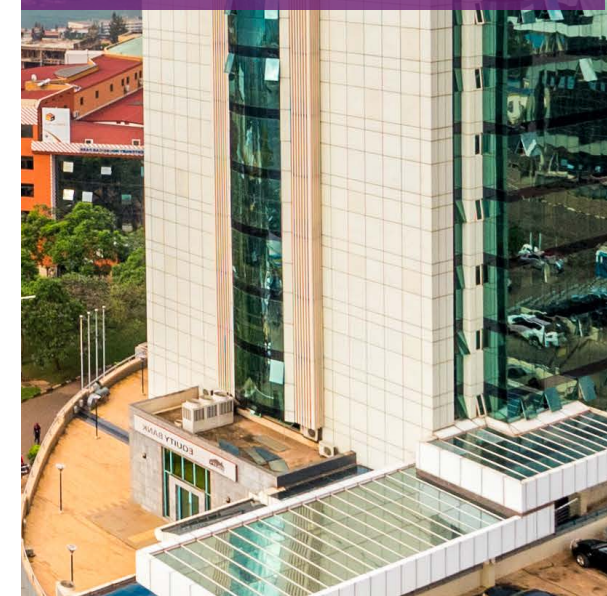
Agriculture

9%

Services



**Under the theme: Industrialization for job creation and inclusive economic growth, The Government has proposed to increase the national budget from 2.5 to 2.8 trillion Rwf for the fiscal year 2019/20.**





**The proposed budget for fiscal year 2019/20 is projected to increase to Frw 2.8 trillion. This is an increase of Frw 290 billion (11.3%) from the 2018/19 budget.**

For the 2019/20 fiscal year, the economy is expected to grow by 7.8%, increasing to 8.1% in 2020 and 8.2% in 2021.

Domestic resources including domestic borrowing are Frw 1,963.8 billion, which represents 68.3% of the total budget for FY 2019/20.

External grants are Frw 409.8 billion, which is 14.2% of the total budget while external loans total to Frw 497.0 billion, which is 17.3% of the total budget.

Overall, Rwanda's domestic resources and loans account for 85.3% of the total budget, a clear move towards self-reliance.

The government's expenditure is guided by the National Strategy for Transformation (NST 1) priorities. Under this policy, 49.5% of the total budget was allocated to recurrent expenditures; comprising of wages & salaries, implementation of new structure of service for health workers and running costs of new public agencies.

Capital spending is expected to amount to 40% of the total budget, reflecting the government's push to invest in enabling infrastructure.

### **Key expenditure priority areas for fiscal year 2019/20**

The key priority areas include Private Sector Development and Youth Employment. These strategic interventions will contribute to the creation of 213,198 productive and decent jobs.

Further, under the Agriculture Sector priority, the government plans to promote the use of improved seeds and fertilizers, development of post-harvest infrastructure and the introduction of an insurance cover for farmers.

The Transport sector has been allocated Frw 264.3 Billion for the rehabilitation of various roads throughout the country, development of maritime transport infrastructure (3 ports) as well as completion and rehabilitation of Bugesera International Airport connecting roads.

Under the health umbrella, the government aims to increase accessibility to quality health for all through construction of district hospitals, training and deployment of qualified health practitioners, sustain and increase access to HIV treatment.

The government has allocated Frw 310.2 billion for interventions in education. These include enhancing use of ICT in education, implementing in-house text books production and construction and equipping of TVET schools.

### **Key Government Focus Areas for Fiscal year 2019/20**

- To propel Rwanda to attain high quality living standards by year 2050 through job creation, promotion of tourism and MICE (Meetings, Incentives, Conferences and Exhibitions) and developing of value adding agriculture production as well as promoting vocational trainings.
- Implementation of the National Strategy for Transformation (NST) which provides policy objectives and direction over medium term.
- Promotion of import substitution and diversified exports to reduce the external shocks and imbalances.
- Narrowing the current account deficit over time by supporting the Made in Rwanda campaign



**The implementation of Made-in-Rwanda policy will continue to play a key role in the narrowing of the current account deficit in the short to long run. This will boost economic growth.**

# Tax proposals



**The proposed law will oblige all individuals carrying out commercial activities to use the “Electronic Billing Machine (EBM)”, expanding the coverage to non-VAT registered persons and improving tax compliance.**



Tax revenue collection is projected to close at Frw 1,535.8 Billion. This amount excludes non fiscal- revenue collected by local governments.

A number of administrative changes in tax laws has been put in place to improve the Rwanda tax system and maximize compliance.

New proposals include amending the tax law to require all taxpayers (including non-VAT registered persons) to use “EBM”.

## Ease of tax burden

The government has also proposed changes to the tax penalties regime to cap penalties arising from audits and investigations to a maximum of 20% on any understatement exceeding 10% of the declared tax. Previously the penalties were progressive, rising to 50%. This will provide much needed relief and certainty to taxpayers.

An additional proposal has been introduced to reduce the 60% late filing and 50% late payment penalties. The proposed penalties will be computed based on the default period.



**Annual turnover threshold for certification of financial statements by a qualified professional accountant has been raised from Frw 400M to Frw 600M.**

## Power to give and take?

New Ministerial Orders were published in May 2019 to complement the Law 016/2018, which has been in place since April 2018. The Orders clarify the requirements to carry forward tax losses beyond 5 years.

The Commissioner-General has also been empowered to withdraw the authorization for tax loss carry forward in certain instances.

## Redefining tax payers accounts?

The government has issued a Ministerial Order increasing the threshold required for filing certified financial statements by a qualified professional accountant to Frw 600M up from Frw 400M.

## Expanding the tax treaties

Rwanda has signed Double Tax Agreements with Turkey and UAE.







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