



NOTE ON TAX POLICY REFORMS

11 February 2025

Rwanda has registered significant development progress over the last 30 years, funded through a combination of domestic and external resources. Rwanda's continued ability to mobilize financial resources, including through a wider tax base, will enable the country to grow the economy and transform livelihoods of all citizens, as envisaged in the Second National Strategy for Transformation (NST2).

- The new tax policy reforms are part of the Government's medium-term strategy to broaden the tax base, increase revenue mobilization and streamline tax administration in order to meet Rwanda's development goals.
- The measures will strengthen resilience of Rwanda's economy and promote self-reliance.
- The Government is committed to supporting and facilitating taxpayers to ensure smooth implementation

KEY POLICY CHANGES FOR FISCAL YEAR 2024/2025

- **Cosmetic and beauty products:** Introduction of an excise duty of 15% on Cost-Insurance-Freight (CIF) on make-up, body lotion and hair products. Critical pharmaceutical beauty products will be exempted in consultation with the Ministry of Health.
- **Registration fees for vehicles:** An increase in the registration fees for all vehicles including electric vehicles.
- **Fuel levy:** An adjustment from a fixed fee of Frw 115 per liter to 15% of CIF to enhance road maintenance
- **VAT on mobile telephones:** Re-introduce VAT on mobile phones which have been exempted since 2010. This exemption successfully boosted affordability and increased digital penetration and the government will continue working with stakeholders to boost smartphone ownership and usage.
- **VAT on ICT equipment:** Re-introduce VAT on ICT equipment which were exempted in 2012 to promote adoption of ICT. Selected ICT equipment will continue to be exempted in consultation with the Ministry of ICT and Innovation.
- **Taxes on Gambling:** To encourage responsible gambling, the tax on Gross Gambling Revenue (GGR) will increase from 13% to 40% and withholding tax on winnings will increase from 15% to 25%.

- **Introduction of a Tourism Levy:** A new levy of 3% of the cost of room will be levied on accommodation to support investments in the tourism and hospitality sector
- **Tax on Hybrid vehicles:** To promote green mobility and reduce carbon emissions, hybrid vehicles will continue to benefit from import duty exemption of 25%. To encourage importation of newer hybrid cars, with longer battery life, the new measures introduce excise duty proportionate to the age of the vehicle (5% for below 3 years; 10% for 4-7 years and 15% for 8 years and above). VAT and withholding tax of 5% will be reintroduced for all hybrid vehicles. Electric vehicles will remain fully exempted to promote green transportation. This measure will take effect in fiscal year 2025/2026

In addition, the following adjustments were made to increase excise tax:

- **Cigarettes:** from Frw 130 to Frw 230 per pack, + 36% of retail price
- **Beer:** from 60% to 65% of factory price
- **Airtime:** from 10% to 12% in 2024/2025 and gradual increase in the medium term to 15%.

ADDITIONAL TAX POLICY MEASURES: Additional measures in different sectors, including financial services, transportation and ICT, will take effect in the next fiscal year and beyond. These include an environmental levy on single-use plastics and VAT on select fee-based financial services, fossil fuels and road transportation services of goods.

Awareness programs are scheduled to educate taxpayers on the new provisions in the different sectors.

The Government of Rwanda remains committed to working closely with taxpayers to ensure a smooth transition and to foster a prosperous future for all.