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**LAW N° 26/2005 OF 17/12/2005 RELATING TO INVESTMENT AND EXPORT PROMOTION AND
FACILITATION**

We, KAGAME Paul,
President of the Republic;

**THE PARLIAMENT HAS ADOPTED AND WE SANCTION, PROMULGATE THE FOLLOWING LAW
AND ORDER IT TO BE PUBLISHED IN THE OFFICIAL GAZETTE OF THE REPUBLIC OF RWANDA.**

THE PARLIAMENT:

The Chamber of Deputies, in its session of 17 May 2005;

Given the Constitution of the Republic of Rwanda of 4 June 2003, as amended to date, especially in its Articles **62, 67, 90, 92, 93, 108, 118 and 201;**

Given Law n° 14/2004 of 26/5/2004 establishing general provisions governing public establishments;

Given Law n° 06/2001 of 20/01/2001 on the Code of Value Added Tax as modified and complemented to date;

Given Law n° 43/90 of 1/10/1990 on promotion of exports;

Given Law n° 14/98 of 18/12/1998 establishing the Rwanda Investment Promotion Agency;

ADOPTS:

CHAPTER ONE: GENERAL PROVISIONS

Article one:

This law aims at investment and export promotion and facilitation

Article 2:

In this law the following words shall mean:

1° “Investment enterprise” means an industry, project or any other activity governed by this law, provided that the enterprise is profit-motivated and operated on commercial principles;

2° “Capital” means any investment in cash, plant, equipment, plant machinery, buildings, spare parts, and other business assets, other than **goodwill** which are necessary for operations of an investment enterprise but which are not consumed with its regular operations;

3° “Facilitation” means any activity of an investment enterprise to which this law applies that is subject to authorization;

4°“Foreign capital” means foreign currency, plant machinery, ordinary equipment, spare parts and other business assets, other than goodwill, imported in Rwanda for investment in order to increase production of goods and services in the country.

5°“Foreign investor” means a physical person, a business company or a partnership that invests a minimum financial capital equivalent to at least two hundred and fifty thousand American Dollars (**US\$ 250,000**) in foreign capital in an investment enterprise to which this Law applies, and is:

(a) **Physical person**, who has no Rwandan Nationality or the nationality of one of the member states of the Common Market of East and Southern African, abbreviated as COMESA;

(b). **a commercial company** incorporated under the laws of any country other than Rwanda or one of the member states of Common Market of East and Southern Africa, COMESA ;

(c). **a commercial company incorporated** under Rwandan laws but of which more than fifty percent (50%) of the shares are held by persons who do not hold Rwanda nationality or who do not hold nationality of one of the member states of the Common Market of East and Southern African, COMESA;

(d). a partnership, in which a partner holds the biggest number of shares and does not hold a Rwandan nationality or a nationality of one of the member states of the Common market of East and southern Africa, COMESA;

(e). a company or a physical person from East African States who is not of the Common Market for East and Southern African States (COMESA);??

6° **“Foreign loan”** means a loan in foreign currency obtained from outside Rwanda and which requires the repatriation of the principal loan amount and interest on the loan;

7° **“Free Economic Zone”** means an area designated by the competent authority where goods and services are imported free of duties. Free international economic zone consists the following activities:

“Export commodity processing zone or EPZ” means a clearly geographically demarcated industrial zone where imported or locally produced machinery, equipment, goods and services are imported free of duty and utilized in producing new goods with at least eighty percent (80%) of those goods exported and twenty percent (20%) sold locally after paying the necessary duties and taxes;

“Free trade zone or FTZ” means a geographically demarcated area into which goods and services are imported free of duties and taxes with at least eighty percent (80%) of those goods and services sold for re-export while twenty percent (20%) are sold locally after paying all the necessary duties and taxes;

“Single enterprise considered as export processing zone or SEEPZ” means an industry because of its nature or production factors located outside a geographically demarcated zone, where imported and locally produced machinery, equipment, goods and services are imported free of duties and utilized in producing new goods of which eighty (80%) of those goods and services are exported while twenty (20%) are sold locally after paying all the necessary duties and taxes;

8° **“Investment activity”** means any new activity, any new business assets whether operations of the expansion, restructuring or rehabilitation of an existing investment enterprise;

9° **“Investment allowance”** means authorization to set forty (40%) of the invested capital in new or used depreciable business in order to compute first annual taxable income following the purchase of such business assets.

10° **“Incentives”** mean fiscal and non-fiscal inducements given to an investor to support and encourage investment in any sector of the Rwandan economy;

11° **“Local investor”** means a physical person, a business company or a partnership that invests a minimum capital of at least one hundred thousand American Dollars (US\$100,000) in an investment enterprise to which this law applies, and is:

A physical person, who holds a Rwandan nationality or of one of the member states of the Common Market of East and Southern Africa, COMESA;

A company incorporated under Rwandan laws of which more than fifty 50% of its shares are held by persons who hold Rwandan nationality or of nationality of one of the member states of COMESA;

A partnership in which a bigger percentage of shares is owned by a person of a Rwandan nationality or of a nationality of one of the member states of COMESA;

12° **“Natural scarce resources”** mean, any natural resources, which may or may not renew themselves over a long period and whose economic exploitation is, by necessity, restricted to a few investors, like investments in mining, exploitation of petroleum products, fishing and forestry resources, and investing in utility services like distribution of energy, water and communications;

13° **“An International Company with headquarters in Rwanda”** refers to a company, which carries out activities of providing qualifying services at its offices or related companies operating from outside Rwanda either by using satellites or any other modern means of communication;

14° **“Specialized vehicles”** mean single purpose project vehicles used for specific duties such as hotel shuttles, vehicles meant for refrigeration services and tourist vehicles. For purposes of this law, specialized vehicles shall be considered as machinery;

15° **“Rural area”** means a part of the country lying outside the boundaries of the City of Kigali;

16° **“Priority Economic sectors”** mean economic sectors mentioned in Article 29 of this law, and all others the Minister having Investment and Export Promotion in his or her attributions may specify;

17° **“Ministry”** means the Ministry having Investment and Export Promotion and facilitation in its attribution;

18° **“Agency”** means the Rwanda Investment and Export Promotion Agency;

19° **“Board”** means the Board of Directors of the Agency.

CHAPTER II: INVESTMENT PROJECT REGISTRATION

Section one: Investment project registration procedures

Article 3:

Application for investment project registration shall be made in writing to the Director General of the Agency and shall contain the following:

- 1° a non-refundable registration fee equivalent to five hundred American Dollars (USD\$500);
- 2° a clear activity plan indicating among others, the technical, market, financial viability and profitability ratios;
- 3° the date of commencement of the activities;
- 4° the internal rules of procedure governing the investment agency;
- 5° the nature of the proposed business activity and the value of planned capital investment;
- 6° the estimated number of employees and categories of employment to be created;
- 7° the locally sourced inputs to be used by the project;
- 8° the prospects of transfer of new technology;
- 9° an Environmental Impact paper prior to project implementation in line with Rwandan laws;
- 10° the nature of support the investor seeks from the Agency including plots of land for Industrial and agricultural activities, public utilities, work permits, visas and others.

Article 4:

Where the application for investment project registration mentioned in Article 3 of this law does not provide sufficient information or if more information is required, the applicant may be called upon to provide all the necessary information.

If considered necessary, the Agency shall assist the investors in perfecting investment projects received.

Article 5:

Where the documents accompanying the application letter for registration of the project are complete, the Agency shall issue a **certificate of registration** to the applicant within ten (10) working days from the date the Agency received the application letter.

Article 6:

A person who applies for a certificate of registration of the project who was not notified of the decision of the Agency within ten (10) working days from the date the Agency received the application letter, may lodge an appeal to the Minister who, in that case, conducts investigations and informs the applicant of the results of the investigations within five **(5)** working days from the receipt of the complaint.

Article 7:

Foreign investors may invest and have shares in investment projects in Rwanda and shall be treated in the same way as Rwandan investors in matters related to incentives and facilities.

Section 2: Scarce resources

Article 8:

In selecting an investor to exploit a scarce resource, the Agency shall, after prior consultation with the concerned ministry:

- 1° Determine the nature and number of investment opportunities, which are available;
- 2° Set terms and conditions to be respected for the exploitation of scarce resources;
- 3° specify the mechanism which shall be used by the Agency to select the investor for each Project;
- 4° Advertise projects of investment opportunities.

A joint team of officers of the Agency and the concerned ministry shall make the final selection of the investor for each opportunity.

The investor, who is authorized by the Agency to exploit any scarce resources, shall be given all the necessary certificates required in order to perform the activities.

CHAPTER III: CONDITIONS RELATED TO CERTIFICATE OF REGISTRATION

Article 9:

The holder of a certificate of registration shall respect the following conditions required by law:

- 1° to keep proper financial and accounting records of the investment enterprise;
- 2° to make a declaration of the profits of the investment enterprise as required by the tax laws and to transmit a copy to the Agency;
- 3° to maintain a sample of commodities and data relating to operations of the investment enterprise for a period of five (5) years;
- 4° to permit the employees of the Agency, in the execution of their duties, access to the premises and records of the investment enterprise;
- 5° to produce a detailed annual activity report indicating the status of the investment enterprise and to submit a copy to the Agency within three (3) months after end of the calendar year;
- 6° to respond to any questions and to provide information on the operations of the investment Enterprise in a period of five (5) days of such request provided the Agency uses this information in confidence.

Article 10:

The Agency shall maintain a register of all project certificates of registration, work permits, visas, and other documents related to facilitation and certificates of incentives granted under this Law.

CHAPTER IV: REVOCATION OF CERTIFICATE OF REGISTRATION

Article 11:

A certificate of registration of investment project shall only be revoked where it is discovered that:

- 1° it was issued on the basis of false or fraudulent declarations of an investor;
- 2° it was issued on the basis of information with errors supplied to the Agency by the investor;
- 3° the investor or investment enterprise persistently failed to fulfill obligations under this law to which they consented;
- 4° the investor has been condemned to an imprisonment of more than six (6) months.

If it is discovered that an investment enterprise is registered in procedures contrary to provisions of points one, 2 and 3, of paragraph one of this Article, the Agency shall give a registered written notice to the investor requiring him to give explanations and reasons why the certificate of registration should not be revoked.

If the holder of the certificate of registration fails to provide an explanation which is acceptable to the Agency, within ten (10) working days of receipt of the registered written notice, the Agency shall revoke the certificate of registration of the enterprise.

However, the investment enterprise may appeal to the Minister having investment promotion in his or her attributions. Revocation of the certificate of registration of the enterprise or appeals shall not hinder the investment enterprise to continue operating in Rwanda.

CHAPTER V: CHANGE OF OPERATIONS

Article 12:

A holder of a certificate of registration of the investment project shall, in a period not exceeding thirty (30) days, inform the Agency in writing about any changes in issues related to shares invested in the investment enterprise, or the nature of operations performed, or any new operations included in the existing ones.

Article 13:

If a registered investment enterprise considers suspending its operations, it shall inform the Agency in a written notification in a period not exceeding thirty (30) days, and during that period the investment enterprise may use all its rights and it shall respect all the contractual obligations it consented with others. The certificate of registration of investment project shall be void from the date specified in the notification letter.

Article 14:

Notwithstanding provisions of Article 12 of this law, any other person with exception of the holder of a certificate of registration of an investment project, who is affected by or is interested in the change of operations of a registered investment enterprise, may inform the Agency in case the holder of the certificate of registration fails to do so.

Article 15:

If the Agency is satisfied with the changes occurred in operations of a registered investment enterprise as provided for in Article 12 of this law, it shall amend the certificate of registration to reflect such changes.

CHAPTER VI: INCENTIVES TO INVESTMENT

Section one: Cross-referencing of laws

Article 16:

The holder of a certificate of registration of an investment project is entitled to rights of benefiting provided for by the law and related to facilitation for importers as provided for on the annex one to this law.

Article 17:

Goods and services imported according to the certificate of registration of an investment project shall be exempt from payment of value added tax that is levied on such goods and services.

Article 18:

A holder of a certificate of registration of an investment project shall benefit from what is provided for by the law on Direct Income tax in the framework of promoting investment in the country. Incentives to investors regarding direct income taxes are attached on the annex II to this law.

Section 2: Additional incentives to investors

Article 19:

Upon request by the Board of Directors of the agency, and depending on the nature of projects and the importance they have to the nation, their location or the capital invested, Cabinet may put in place additional incentives and facilities to investors.

CHAPTER VII: WORK PERMITS AND RESIDENCE VISAS

Article 20:

Any investment enterprise that invests at least a capital of one hundred thousand United States Dollars (**USD100, 000**) shall automatically give the owner the right to recruit three expatriates.

In case of necessity of more than three (3) expatriates, the investment enterprise shall apply to the Agency, which may grant or reject it depending on specific reasons given.

Article 21:

A foreign investor and his or her expatriate(s) are entitled to a **free initial work permit** and a **free residence visa** valid for a period of one (1) year. Renewal of such a visa shall be done after payment of an amount in place at that time.

An investor who deposits an amount equivalent to five hundred thousand United States American Dollars (**USD 500,000**) on an account in one of the commercial banks in Rwanda for a period of not less than six (6) months shall be entitled to the right of acquiring permanent residence status in the country.

CHAPTER VIII: FREE ECONOMIC ZONES

Section one: Establishment of Free Economic Zones

Article 22:

Free Economic Zones are established in respect of the following:

- 1° Issuance of a certificate from authorities in charge of land granting;
- 2° availability of land structure and environment assessment;
- 3° presenting a study of the project;
- 4° presence of a master plan;
- 5° indication of how compensation of property and the activities of the expropriated persons are respected in accordance with law.

The order of the Minister having Investment Promotion in his or her attributions shall, after indicating what is mentioned in paragraph one of this Article, determine the efficient operation and management of Free Economic Zones.

Section 2: Organization and Management of Free Economic Zones

Article 23:

The Agency has the responsibility of organizing and managing free economic zones, but controlling the daily operations of such places may be carried out by companies or private individuals in accordance with specific conditions stipulated in an agreement.

Section 3: Registration procedures

Article 24:

Where the Agency considers the application requesting for operating in a Free Economic Zone, it shall examine the capacity of the investment enterprise to accomplish the following goals or some of them:

- 1° creations of jobs that require specific and high quality technical knowhow;
- 2° infusion of substantial new investments into productive activities;
- 3° transfer of modern technology and other know-how;
- 4° diversification and expansion of investment enterprises and exports;
- 5° utilization of locally produced raw materials;
- 6° creation of linkages within the economy;
- 7° establishment of a plan of action which does not degrade the environment.

Article 25:

The following investment enterprises fulfill the conditions of registration in order to operate in free economic zones:

- 1° big or small manufacturing companies that export at least eighty percent (80%) of their production;
- 2° merchandise trade enterprises that export at least eighty percent (80%) of their production;
- 3° professional financial and technical investment enterprises engaged in export of services.

Article 26:

The application for registration of an intending investor to operate in an export-processing zone shall provide to the Agency a complete project proposal. The Agency shall determine a list of requirements in order for the project to be accepted.

After the Agency receives all requirements regarding request for registration of the project, it shall issue to the investor a project certificate of registration within (10) working days, to grant him or her permission to establish headquarters of the project and authorising him or her to operate a business in the export-processing zone.

CHAPTER IX: REQUIREMENTS FOR AN INTERNATIONAL COMPANY WITH HEADQUARTERS IN RWANDA

Article 27:

To qualify a company with headquarters in Rwanda as an international company, it is obliged to fulfill the following:

- 1° to invest at least to two million American dollars (USD 2, 000,000) in both moveable and immovable assets, especially the office of the headquarters, equipment and necessary machinery;
- 2° to provide employment and training to Rwandans;
- 3° to make international financial transactions that need at least the equivalent of five million American dollars (USD 5,000,000) a year through a licensed commercial bank in Rwanda;
- 4° to set up an actual and effective administration operation;
- 5° to use at least the equivalent of one million American dollars (USD 1,000,000) per year in Rwanda;
- 6° to perform in Rwanda a minimum of three (3) of the following services in order for its offices to be accepted or those related to other companies operating outside Rwanda:
 - a. general management;
 - b. planning and coordination;
 - c. procurement of raw materials, components or finished products;
 - d. technical support and maintenance;
 - e. market control and sales promotion planning;
 - f. data information management services;
 - g. treasury management services;
 - h. corporate and financial advisory services;
 - i. research and development work;
 - j. training and personnel management.

CHAPTER X: FACILITATION OF CONSTRUCTION PROJECTS

Article 28:

An investment enterprise shall be facilitated and benefit from incentives on building and finishing materials, if it fulfills the following:

- 1° if it is a construction project worth at least one million and eight hundred thousand American Dollars (US\$1,800,000);
- 2° if it is a project to be completed at least within a period of twenty four (24) months;
- 3° if it uses materials available in the country;
- 4° if it concludes contracts with registered companies which pay taxes and which employ Nationals of the country;
- 5° if it rationally uses the allocated land;
- 6° if it engages in activities that do not degrade environment.

Building and finishing materials that are imported shall be those that are not produced in Rwanda on international standards or those in line with developer's specifications. Before they are imported, such materials shall be approved by the Agency.

Tax incentives certificates on imported building materials shall only be accepted to construction projects which reach second storey upwards or in case activities of constructing foundation are over to large horizontal commercial complexes if it is clear that they shall not have skyscrapers and property developers who construct many dwelling houses on the approval of the Agency.

CHAPTER XI: PRIORITY SECTORS

Article 29:

The following sectors shall be given priority regarding investment and reviewed periodically by the Minister having Investment and Export Promotion in his or her attributions.

- 1° Information communication and technology;
- 2° tourism;
- 3° energy;
- 4° agriculture and agro-based industries, fishing and forestry;
- 5° industry;
- 6° re-export trade;
- 7° mining;
- 8° research;
- 9° infrastructure, especially investments in water resource activities;
- 10° waste recycling.

CHAPTER XII: PROTECTION OF A FOREIGNER'S INVESTMENT

Section one: Government protection of a foreigner's investment

Article 30:

The Government has the responsibility of protecting the capital invested. It shall not acquire the rights of an investor on a registered investment enterprise over any activity that is included in the activities of the investment enterprise except due to public interest according to periods and procedures provided by law and in consideration of prior payment of adequate compensation, in foreign convertible currency, in a period not exceeding twelve (12) months from the date of acquisition, and such amount is freely repatriated to a country of the investor's choice without being subject to any form of tax whatsoever.

Investment enterprises shall not be separated on issues relating to law or internal regulations that govern business enterprises and industries.

Section 2: Settlement of disputes between foreign investors and the Agency or the Government of Rwanda

Article 31:

Where disputes arise between a foreign investor and the Agency or the Government of Rwanda in respect of a registered investment enterprise, all possible efforts shall be made to settle the disputes amicably through negotiations.

Article 32:

Disputes that arise between a foreign investor and the Agency or the Government of Rwanda in respect of a registered business enterprise that are not settled through negotiations shall be submitted to an arbitrator in accordance with the following manner and after both parties have mutually agreed upon it:

- 1° in consultation with the centre responsible for settling disputes between investors;
- 2° in accordance with bilateral or multilateral agreements on protection of investment activities, of which the Government of Rwanda and the country from which the investor originates signed;
- 3° in accordance with any other international procedure of settling investment disputes, particularly the Convention of 18 March, 1965, concerning the Settlement of Disputes in matters of investment arising between States and foreigners on investing in a country concluded under the aegis of the International Bank for Reconstruction and Development and ratified by the Republic of Rwanda under the Decree-Law of 16, July 1979 approved by law n° 01/ 82 of 26 January 1982 approving decree-laws.

Article 33:

The certificate of registration of an investment enterprise may specify special arbitration procedures relating to such an enterprise in case it is not possible to solve the disputes through negotiations. The act of registration of the investment enterprise only shall constitute the consent of the Government of Rwanda, the agency or their respective representatives and the investor agree to respect such a mode and the decisions taken by the forum of settling disputes.

Article 34:

In case parties to a dispute do not agree on the mode or forum for arbitration, the party aggrieved by the possession or acquisition of his or her property, or the amount and compensation payable, or in respect of any other matter relating to the investment enterprise, may sue to a competent Rwandan court for the decision to be rendered.

CHAPTER XIII: OFFENCES AND PENALTIES

Article 35:

Without prejudice to criminal law, shall be punished by paying a fine of between one thousand US dollars (USD 1000) and two thousand US dollars (USD 2000) and an imprisonment between three (3) months and six (6) months or one of both, an investor who:

- 1° deliberately provides inaccurate or false information;

2° refuses or neglects to provide explanations the Agency may seek from him or her on clear reasons regarding respecting this law;

3° refuses with no grounds provided by law to allow the employee of the Agency whose presence is related to official duties, to enter the buildings in which the investment enterprise operates or who obstructs any inspection that is conducted by an employee of the Agency;

4° does not respect provisions of Article 9 of this law.

CHAPTER XIV: FINAL PROVISIONS

Article 36:

All previous legal provisions contrary to this law are hereby abrogated.

Article 37:

This law comes into force on the date of its publication in the Official Gazette of the Republic of Rwanda.

Kigali, 17/12/2005.

The President of the Republic

KAGAME Paul

(sé)

The Prime Minister

MAKUZA Bernard

(sé)

The Minister of Commerce, Industry, Investment Promotion,
Tourism and Cooperatives

MUSONI James

(sé)

The Minister of Finance and Economic Planning

Prof. NSHUTI Manasseh

(sé)

Seen and sealed with the Seal of the Republic:

The Minister of Justice

MUKABAGWIZA Edda

(sé)

ANNEX I TO THE LAW N° 26/2005 OF 17/12/2005 RELATING TO INVESTMENT AND EXPORT PROMOTION AND FACILITATION

INCENTIVES OFFERED TO INVESTORS WHO IMPORT GOODS

1° MACHINERY AND RAW MATERIALS

An investor who imports machinery and raw materials shall be exempted from import duties.

2° PRIVILEGES ON MOVABLE PROPERTY AND EQUIPMENT

A foreign investor or an expatriate, who work for a registered investment enterprise, on individual basis, shall be exempted from duties on one personal car, his or her personal properties and on household properties in accordance with laws on customs.

3° EQUIPMENT IN EDUCATION FIELD

A registered investor in a private educational institution shall be exempted from payment of import duties on imported equipment and on ordinary materials.

4° SPECIALISED VEHICLES

A registered investor who imports specialized vehicles that is to say hotel shuttles, refrigerated vehicles, tourist vehicles, ambulances and fire-extinguishing vehicles shall be exempted from payment of import and excise duty.

5° TOURIST CHARTERED AEROPLANES

An investor who imports aero planes for transportation of tourists is exempted from payment of taxes.

6° FREE ECONOMIC ZONES

An investor operating in a free economic zone shall be entitled to a right of importing machinery, equipment and raw materials (for the industry) and other goods free of duty.

7° BUILDING AND FINISHING MATERIALS

Registered investors who fulfil requirements of Article 27 of the law relating to investment and export promotion and facilitation are allowed to import building and finishing materials in accordance with stipulations of the above mentioned law shall pay an amount equivalent to five

percent (5%) of their value while in Rwanda (CIF) to replace the duty that was supposed to be paid as import duty and excise duty.

8° MEDICAL EQUIPMENT, MEDICINAL PRODUCTS, AGRICULTURAL EQUIPMENT, LIVESTOCK, FISHING AND INPUTS

An investor who imports medical equipment, medicinal products, agricultural equipment, livestock, and fishing and inputs shall be exempted from import duty imposed on those goods.

9° EQUIPMENT FOR TOURISM AND HOTEL INDUSTRY

An investor in tourism and hotel industry shall be exempted from payment of import duties on the following equipment.

a.Reception

- i. Switchboard;
- ii. Water Spray ;
- iii. Safe;
- iv. Air conditioners.

b. Bedroom fittings

- i. Carpet;
- ii. Beds and their accessories;
- iii. Television;
- iv. Small fridge;
- v. Safe;
- vi. Window fittings for sound, heat and light proofing;
- vii. Room furniture (as part of the overall house design);
- viii. Air conditioners.

c. Laundry and dry cleaning equipment

- i. Washing machines;
- ii. Driers;
- iii. Laundry and dry cleaning equipment;

d. Restaurant and bar

- Chairs and tables (not made in plastic);
- ii Deep freezer and fridge;
 - iii. Dish washer;
 - iv. Air conditioners.

e. Conference halls

- i. Furniture and carpets (not made in plastic);
- ii. Sound system and microphones;
- iii. Overhead projector;
- iv. LCD video projector;
- v. Air conditioners.

f. Kitchen

- i. Stoves;
- ii. Ovens;
- iii. Deep fryers;
- iv. Grill;
- v. Dish warmer,
- vi. Cold rooms,
- vii. Refrigerator,
- viii. Dish washing machine.

g. Swimming pool

- i. Water pumps and filters;
- ii. Equipment for fitness centres, sauna, steam bath and massage.

h. Outdoor leisure

- i. Children's play ground: swings, slide, carousel, and trampoline
- ii. Equipment for tennis courts & maintenance, nets, steamroller, training machine and lighting;
- iii. Golf equipment.

i. Lobby, public places and room corridors

- i. Carpets;
- ii. Furniture.

j. Machines for house maintenance

- i. Generator;
- ii. Machinery for construction of cylinges, plumbing, electricity, air conditioning and refrigeration;
- iii. Solar system for electricity or water production;
- iv. Water treatment system;

- v. Liquid waste treatment plant;
- vi. Lightning conductor;
- vii. Chiller, air conditioning shaft;
- viii. PABX: Radio communication system machine in hotels and bars;
- ix. Broadcasting system for Television and music in rooms and public areas;
- x. Radio communication system;
- xi. Fire alarm system, extinguishers and sprinklers;
- xii. Ventilation and extraction of bad smell in technical rooms and basement.

k. Gardens

- i. Integrated watering system in the gardens

l. Dancing hall and bar

- i. Sound system equipment;
- ii. Refrigerators ;
- iii. Air conditioners for discotheques;
- iv. Lights used in discotheques.

Kigali, on 17/012/2005

The President of the Republic

KAGAME Paul

(sé)

The Prime Minister

MAKUZA Bernard

(sé)

The Minister of Commerce, Industry, Investment Promotion,
Tourism and Cooperatives

MUSONI James

(sé)

The Minister of Finance and Economic Planning

Prof. NSHUTI Manasseh

(sé)

Seen and sealed with the Seal of the Republic:

The Minister of Justice

MUKABAGWIZA Edda

(sé)

ANNEX II TO THE LAW N° 26/2005 OF 17/12/2005 RELATING TO INVESTMENT AND EXPORT PROMOTION AND FACILITATION

INCENTIVES OFFERED IN THE LAW ON DIRECT TAXES ON INCOME

A. INVESTMENT ALLOWANCE

An investment allowance of forty per cent (40%) of the invested amount in new or used assets may be depreciated excluding motor vehicles that carry less than eight (8) persons, except those exclusively used in a tourist business is accepted to deduct from a registered investor in the first tax period of purchase or of use of such an asset if:

- 1° the amount of business assets invested is equal to at least thirty million (30,000,000) Rwandan francs; and,
- 2° the business assets are held at the establishment for at least three (3) tax periods after the tax period in which the investment allowance was given.

The investment allowance shall be fifty per cent (50%) if the investor carries out operations in rural areas outside the City of Kigali or invests money in priority sectors as mentioned in law establishing Rwanda Investment Promotion Agency.

The investment allowance reduces the item value or construction cost, as well as the basic depreciation value of pooled business assets.

If the business asset that is granted an investment allowance is disposed of, before the provisions of point 2° on the paragraph one related to investment allowance,, the reduction of income tax caused by the investment allowance, increased by an interest applicable to late monthly filers starting from when that investment allowance was granted to the time of disposal, shall be paid back to the Tax Administration unless such an asset is out due to natural calamities or other involuntary conversion.

B. TRAINING AND RESEARCH EXPENSES

All Training and Research expenses incurred by a taxpayer and declared and earlier agreed and which promote activities during a tax period are considered as deductible from taxable profits in accordance with provisions of Article 21 of the law on direct taxes on income.

Expenses on training, research and on promotion of activities as applied in the Article mentioned above do not concern the purchase of land, houses, buildings and other immovable properties including refining, rehabilitation and reconstruction as well as exploration expenses and other assets.

TAX RATE IN RELATION TO PROFITS AND RWANDAN EMPLOYEES,,

Taxable Business profit is rounded down to the nearest 1,000 RWF and taxable at a rate of thirty per cent (30%).

However, a registered investment company which carries out its non taxable economic operations or a foreign company which has its headquarters in Rwanda and which fulfils what is required by Rwandan law on investment promotion shall be entitled to:

- 1° pay corporate income tax at the rate of zero per cent (0%);
- 2° exemption from interest tax mentioned in article 51 of the law on direct taxes on income;
- 3° non-taxed repatriation of profits abroad.

A registered investor shall be entitled to a profit tax discount of:

- 1° two per cent (2%) if the investor employs between one hundred (100) and two hundred (200) Rwandans;
- 2° five per cent (5%) if the investor employs between two hundred and one (201) and four hundred (400) Rwandans;
- 3° six per cent (6%) if the investor employs between four hundred and one (401) and nine hundred (900) Rwandans;
- 4° seven per cent (7%) if the investor employs more than nine hundred (900) Rwandans.

The mentioned tax discount shall only be granted to the investor if he or she employs such employees for a period of at least six (6) months during a tax period, and are not in the category of employees who pay at the rate of zero per cent (0%) stipulated in article 50 of the Law on direct taxes on incomes.

D. TAX RATE IN RELATION TO EXPORT COMMODITIES AND SERVICES,

If a taxpayer exports commodities or services that bring to the country between three million (3.000.000) US dollars and five million (5.000.000) US dollars in a tax period, he or she shall be entitled to a tax discount of three per cent (3%).

If he or she exports commodities or services that bring to the country more than five million (5.000.000) US dollars in a tax period, he or she shall be entitled to a tax discount of five per cent (5%).

Companies that carry out micro finance activities approved by competent authorities shall pay corporate income tax at the rate of zero per cent (0%) for a period of five (5) years from the time of their approval. However, this period may be renewed by the order of the Minister.

Kigali, on 17/12/2005

The President of the Republic
KAGAME Paul
(sé)

The Prime Minister
MAKUZA Bernard
(sé)

The Minister of Commerce, Industry, Investment
Promotion, Tourism and Cooperatives
MUSONI James
(sé)

The Minister of Finance and Economic Planning
Prof. NSHUTI Manasseh
(sé)

Seen and sealed with the Seal of the Republic:

The Minister of Justice
MUKABAGWIZA Edda
(sé)