

LAW N° 26/2006 OF 27/05/2006 DETERMINING AND ESTABLISHING CONSUMPTION TAX ON SOME IMPORTED AND LOCALLY MANUFACTURED PRODUCTS.

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 April 4, 2006;

Given the Constitution of the Republic of Rwanda of June 4, 2003 as amended to date, especially in its articles 62, 66, 67, 80, 81, 90, 93, 108, 118 and 201;

Given the law n° 25/2005 of 4/12/2005 on tax procedures;

Given the law n° 18/98 of 31/12/1998 modifying the consumption tax rates to be collected upon some imported and locally manufactured products as modified and complemented to date;

ADOPTS:

CHAPTER ONE: GENERAL PROVISIONS

Section one: Products which this law applies to, definitions of its terms and field of application.

Article one:

This law determines the consumption tax to be collected on some imported and locally manufactured products as well as modalities for its verification.

Article 2:

In this law, the following terms are defined as follows:

1° **“Commissioner General”** is the Chief Head of Rwanda Revenue Authority;

2° **“Order”** refers to order issued by the Minister through the Official Gazette of the Republic of Rwanda;

3° **“Factory”** means any plant, machinery or appliance used in manufacturing or processing taxable products;

4° **“The law”** means the law on consumption tax;

5° **“Minister”** means the Minister in charge of Finance;

6° **“Authority”** is the Rwanda Revenue Authority;

7° **“Person”** means any legal or physical person mentioned in the provisions of this law;

8° **“Taxable products”** refers to products manufactured in Rwanda or imported into Rwanda subject to consumption tax;

9° **“Penalty unit”** means four hundred Rwandan francs (RWF 400) or any such value prescribed by the Minister, through an order;

10° **“Authorised officer”** is the employee of the Authority the Commissioner General gives powers to inspect, investigate, issue tax declaration documents, prepare statements, recover tax or to perform any act aimed at respecting provisions of this law and who is in possession of an employee identification;

11° “Tax stamp” is a sign affixed on a product subject to consumption tax indicating that the product will be sold in Rwanda.

Article 3:

Products shall be regarded as locally manufactured if the factory manufacturing or processing them is on the Rwandan territory.

Products shall be regarded as imported if such products require Customs formalities in accordance with the Customs system on the date such products were brought in Rwanda.

Article 4:

(As modified and completed by article one of the law n° 56/2006 of 31/12/2006 modifying the law n° 26/2006 of 27/05/2006 determining and establishing consumption tax on some imported and locally manufactured products):

Consumption tax shall be levied on the following products at the corresponding rates:

Product	Tax rate
Juice, Soda and Lemonade	39%
Mineral Water	10%
Beer	60%
Wine	70%
Brandies, liquors and whisky	70%
Cigarettes	120%
Fuel (excluding jet fuel), Gas oil, Fuel and lubricants	37%
Vehicles with an engine capacity of less than 1500cc	5%
Vehicles with an engine capacity of between 1500 and 2500 cc	10%
Vehicles with an engine capacity of above 2500 cc	15%
Powdered Milk	10%
Telephone communications	3%

Article 5:

The tax mentioned in article 4 of this law is not concerned with vehicles in the mini bus category that can carry not less than fourteen (14) persons, lorries and light duty vehicles manufactured to carry goods, refrigerating vehicles, tourist vehicles, foreign investors’ and diaspora Rwandan investors and their foreign employees’ vehicles.

Section 3: Taxable value and time for tax imposition

Article 6:

The taxable value on imported products shall be calculated according to Cost, Insurance and Freight upon arrival in Kigali while on locally manufactured products, it shall be calculated according to selling price exclusive of taxes.

Article 7:

The tax shall be payable when:

- 1° the taxable products are cleared out of the factory for consumer use in case of locally manufactured products;
- 2° the taxable products are due for clearing at the customs under the customs system in case of imports.

Article 8:

Taxable export products are exempted from consumption tax. However, the exporter exempted from such a tax is obliged to indicate that he or she has fulfilled all the conditions exporters are required to fulfil.

CHAPTER II: DECLARATION, PAYMENT AND ASSESSMENT OF TAX

Section one: Declaration

Article 9:

For purposes of implementing this law, a month is divided into the following three periods:

- 1° from 1st to 10th of every month;
- 2° from 11th to 20th of every month and;
- 3° from 21st towards the end of the month.

A taxpayer is required to file his or her declaration in respect of provisions of paragraph one of this article.

Article 10:

The taxpayer who pays consumption tax is required to deliver to tax administration a declaration sheet and the proofs of how consumption tax was paid in a period not exceeding five (5) days following periods mentioned in article 9 of this law.

The consumption tax on imports shall be paid concurrently with custom duties.

The Minister, through an order, shall determine other sheets to accompany the declaration.

Article 11:

In respect of periods prescribed under article 9 of this law, every taxpayer is required to:

- 1° keep the books of accounts filed in accordance with national accounting standards;
- 2° provide information as the declaration form requires.

Section 2: Assessment

Article 12:

An assessment shall be conducted in the manner and in periods prescribed by the Ministerial Order. Such an assessment shall be concluded by an action for recovery of the tax due, interest and fines.

Certain reasons which lead to assessment are as follows:

- 1° non conduction of declaration;
- 2° returns found to be incorrect, inadequate, or intended to conceal some basic data.

CHAPTER III: ADMINISTRATION OF CONSUMPTION TAX

Section one: Powers and functions of authorized officers

Article 13:

An authorised officer shall have the right to free access to a factory at any time it is operating. He or she shall have the right to carry out any inspection or verification if considered necessary. Due to such a reason, the authorised officer shall have prosecution powers during the performance of his or her duties.

Article 14:

Without prejudice to the customs system, all taxable imported products subject to consumption tax, whether by land, water, air or post, shall be subject to the control by an authorized officer.

Article 15:

Every authorised officer shall be issued with means of identification during his or her duties and shall produce them on demand to any person who requires them. An authorised officer on his or her duties may require the taxpayer to give him or her in writing any necessary information.

Article 16:

Where an authorized officer finds that a tax payer conceals certain products in order to evade consumption tax, he or she may seize the products and put them into the custody of the Authority. He or she may also issue a receipt of acknowledgement signed by the owner of the products or his or her representative.

Article 17:

Where the owner of the products seized in accordance with article 16 of this law does not provide information in fifteen (15) days, stating whether he or she complied with the provisions of this law, such products may be sold by public auction.

Such a period may be reduced in case it is proved that such products are perishable.

In case such products can deteriorate human and other biological health, they shall be immediately destroyed. Such an act shall be at the expense of the owner of the products.

Article 18:

In fulfilment of his or her duties provided for by this law, an authorised officer shall be independent. No person shall obstruct or interfere with him or her in his or her duties with an exception of competent authorities.

Article 19:

Individuals, government institutions, commercial and business associations are obliged to provide with the authorised officer all the relevant information regarding the implementation of provisions of this law.

Secrets revealed in accordance with provisions of this article or in fulfilment of duties required by this law shall not be disclosed to any person unless the Commissioner

General finds it is in the national interest, upon which he or she shall order it in writing specifying the information to be disclosed and the procedures of its disclosure.

Section 2: Tax Payer's Rights and Obligations

Article 20:

A taxpayer has a right to self assessment in accordance with provisions of this law and orders relevant to it.

Article 21:

Any disputes related to consumption tax arising between the Authority and the taxpayer shall be submitted to the Commissioner General in order to take action in a period not exceeding thirty (30) days from the day of receipt

Article 22:

The aggrieved tax payer shall have the right, in a period not exceeding ten (10) days, to appeal to Appeals Council established by the Order of the Minister and which shall take action on his or her behalf. The decision of the Appeals Council may be appealed against before a competent Court in a period not exceeding thirty (30) days.

Article 23:

Any manufacturer of a product subject to consumption tax is required to keep a register of daily inventory of the products manufactured and a sales register. The sales register shall indicate the price and quantity offered to every customer, his or her names and address.

Article 24:

Every taxpayer is required to keep a register of raw materials, an activity register and a register of inventory of manufactured products.

The register of raw materials shall record the materials to be used in manufacturing of taxable products. In the activity register, there shall be recorded the information concerning the daily status of every equipment used in the factory or industry.

An authorised officer shall sign in such a register during every his or her visit to the factory or industry.

The register of inventory of the manufactured products shall indicate the products destroyed, discarded or burnt after being inspected by the authorised officer, the quantity exported, and those sold for consumption, so that at any time, the quantities within the factory can be established and verified.

Article 25:

Any modification to the premises or to the functioning of the factory, any changes and increases, repairs or replacements of one or more equipments, or tools shall be notified to the administration of the authority in the month of the last operation.

Article 26:

Any manufacturer of products subject to consumption tax shall own a register indicating, on a daily basis, the following:

- 1° the date and time of starting and ending work;
- 2° the type, names and the nature of the equipment used;
- 3° the type and quantity of the raw materials used and the batch number of production;
- 4° the quantity of the goods produced.

Any service or activities that are not carried out or that are cancelled shall be notified to the Authority by their provider within a period of ten (10) days.

Article 27:

Some locally manufactured and imported taxable products shall be required to be affixed with a tax stamp. The products to be affixed, the structure of tax stamps, manner and design in which the tax stamps are to be affixed shall be determined by the Order of the Minister.

Article 28:

A tax stamps usage reconciliation statement shall be made by local taxable products manufacturers and taxable product importer. The monthly reconciliation statement shall show a summary of tax stamps indicating the following:

- 1° stamps in stock at the closure of the month preceding the month in which taxable products are manufactured;
- 2° stamps received from the Authority;
- 3° stamps applied to taxable products manufactured in Rwanda or imported into Rwanda as the case may be;
- 4° stamps spoiled or damaged during the manufacturing process as certified by the Authority staff;
- 5° stamps unaccounted for in the reconciliation statement;
- 6° stamps in stock at the end of the month and carried forward for use in the following month.

Article 29 :

The reconciliation statement shall be submitted to the Authority within ten (10) days of the end of the month covered by the statement.

Article 30 :

Tax stamps are exempted from all taxes and duties levied in Rwanda.

Article 31 :

Locally manufactured products for export are exempt from affixation of tax stamps. However, a written statement thereof shall be made before such products are manufactured or exported.

Section 3: Obligations that are peculiar to oil products dealers

Article 32 :

Oil products dealers shall have the following obligations:

- 1° allow the Authority easy access to all premises and petrol stations for evaluation and inspection purposes;
- 2° make a declaration to the Authority before any petrol station is started up so that its premises may be inspected first;
- 3° affix a standards certificate as required by an authorized officer;
- 4° present any document providing details as to what is required by the Authority's inspection;
- 5° report beforehand to the Authority and in writing any changes, damage, increase or decrease of tanks and pumps;
- 6° make a declaration to the Authority as regards any premise used for the sale oil products;
- 7° have underground tanks be tested;
- 8° have pumps be inspected and present their related standards certificate;
- 9° store and sell oil products that are contained in tested underground tanks or any other tested types of store;

10° have standards certificates for meters of pumps meant for oil products selling;

11° allow easy access for experts or those representing the Agency endowed with expertise in testing whether underground tanks, pumps or meters respect standards;

12° allow easy access to an authorized officer sent by the Commissioner General to carry out relevant inspection in a given petrol station;

13° authorize any qualified person to carry out any activity or check whether legal provisions are respected;

14° any other attribution as may be assigned to by the Minister where necessary and by way of an order.

Modalities for carrying out such inspection shall be determined by an Order of the Minister

CHAPTER IV: PENALTIES

Article 33:

A taxpayer who fails to comply with the provisions of article 32 of this law shall be liable to a fine not exceeding two thousand and five hundred (2500) penalty units.

A taxpayer evading to pay taxes on oil products shall be liable to pay the due taxes together with a fine ranging between one and ten (10) times the evaded taxes.

Article 34:

A taxpayer who fails to remit the tax due within the prescribed a period is liable to a fine of five hundred (500) penalty units together with a late payment penalty of ten per cent (10%).

Any late declaration of zero (0) tariff shall cause the taxpayer be liable to a fine not exceeding five hundred (500) penalty units.

Article 35:

Without prejudice to the existing laws, any person who makes fraudulent declaration, furnishes fraudulent document or misinformation, or makes fraudulent written report or any other act commits an offence and shall be liable to a fine not exceeding five thousand (5000) penalty units.

Article 36:

Any person who fails to abide by the provisions of articles 9, 11, 23, 24, 25 and 26 of this law or assaults, obstructs, hinders or resists an authorized officer in the exercise or performance of any duties he or she assigned to under this law commits an offence and shall be liable to a fine not exceeding five thousand (5000) penalty units or to an imprisonment of between six (6) months and two (2) years or one of the two penalties.

Article 37:

Shall be deemed offender and liable to a fine not exceeding five thousand (5000) penalty units or to an imprisonment of between six (6) months and one (1) year any domestic manufacturer and importer of taxable products who:

1° fails to keep tax stamp registers, records or any other documents;

2° fails to submit tax stamp reconciliation statements within the prescribed period;

3° fails to affix tax stamps to a taxable product in a secure manner;

4° makes an overprint or defaces tax stamps affixed on taxable products; or

5° submits an incorrect or incomplete tax stamp reconciliation statement;

6° commits any other fraudulent act regarding the nature and usage of tax stamps.

The same penalty shall apply to any dealer of taxable products on which tax stamps are not affixed.

CHAPTER V: FINAL PROVISIONS

Article 38:

Without prejudice to the provisions of the law, provisions of the law on tax procedures shall apply.

Article 39:

All previous legal provisions contrary to this law, especially the law n° 18/98 of 31/12/1998 modifying the consumption tax rates to be collected upon some imported and locally manufactured products as modified and complemented to date, are hereby abrogated.

Article 40:

This law shall come into force on the date of its publication in the Official Gazette of the Republic of Rwanda. Kigali, on 27/05/2006

The President of the Republic

KAGAME Paul

(sé)

The Prime Minister

MAKUZA Bernard

(sé)

The Minister of Finance and Economic Planning

MUSONI James

(sé)

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

MITALI Protais

(sé)

Seen and sealed with the Seal of the Republic:

The Minister of Justice

MUKABAGWIZA Edda

(sé)