Rwanda Budget Highlights 2019/20
Unravelling the Puzzle
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Preamble

Our Budget highlights presents an overview of tax measures and other proposals presented in the 2019/20 Budget speech. Some changes may arise when the Amendment Acts are published. We will present a more detailed analysis, incorporating our views, as soon as the acts are published.

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Tax Measures

**Income Tax (PAYE, NSSF, NHIF)**

- There were no specific measures on income taxes in this year’s budget. Rwanda introduced Law No 016/2018 of 13/04/2018 establishing taxes on income in April 2018.

**Value Added Tax**

- To strengthen the existing automatic reporting of transactions through the Electronic Billing Machine (EBM), the Minister has proposed the amendment of the Law on Tax Procedures to require that every invoice transaction be carried out using EBM technology as prescribed by the tax authority.

**Customs Duties**

- Rwanda has been granted stay of duty on the importation of the following items:

<table>
<thead>
<tr>
<th>Description</th>
<th>Duty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road tractors</td>
<td>0%</td>
</tr>
<tr>
<td>Transport vehicles with carriage capacity between 5-20 tons</td>
<td>10%</td>
</tr>
<tr>
<td>Transport vehicles with carriage capacity above 20 tons</td>
<td>0%</td>
</tr>
<tr>
<td>Public transport vehicles that carry between 20 and 50 persons</td>
<td>10%</td>
</tr>
<tr>
<td>Public transport vehicles that carry above 50 persons</td>
<td>0%</td>
</tr>
<tr>
<td>Processing machines and other materials to be used in textile and hides manufacture</td>
<td>0%</td>
</tr>
<tr>
<td>ICT equipment</td>
<td>0%</td>
</tr>
<tr>
<td>Manufacturing raw materials</td>
<td>0%</td>
</tr>
<tr>
<td>Equipment used by banks in money circulation (ATM cards, PoS, etc.)</td>
<td>0%</td>
</tr>
<tr>
<td>Second-hand clothes</td>
<td>$2.5/Kg</td>
</tr>
<tr>
<td>Second-hand shoes</td>
<td>$5/Kg</td>
</tr>
<tr>
<td>Imported sugar</td>
<td>25%</td>
</tr>
<tr>
<td>Imported rice</td>
<td>45% or $345 per ton</td>
</tr>
<tr>
<td>Imported products designated for army shops</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Excise Duties**

- The Minister has proposed to amend the law dealing with consumption tax as a policy tool to curb consumption of harmful goods. Specific measures not yet released.
Sectoral Highlights

Transport

- Rwanda has allocated 9% of the annual budget towards transport infrastructure.
- Proposed projects in this sector include:
  - Development of maritime transport infrastructure and services such as the construction of 3 ports at Lake Kivu to promote inland transportation;
  - Rehabilitation of 534 Km of feeder roads;
  - Maintenance of 827 Km of national paved and unpaved roads; and
  - Expansion of road infrastructure leading towards the Bugesera International Airport that is currently under construction.

Health

- The main target for the health sector is to increase accessibility to quality health for all. Rwf 234.8 billion was allocated and prioritised to:
  - Construction and renovation of district hospitals, mental health daycares;
  - Distribution of basic infrastructure facilities including water and electricity to different health centres;
  - Increasing access to specialised medical services through strengthening radiotherapy centre and construction of Research and training institute against digestive cancer (IRCAD); and
  - Sustain universal access to treatment of HIV.

Agriculture

- The Agricultural sector has remained a key sector in the economy, contributing 30% of the country’s GDP and realised 6% growth.
- The government has allocated Rwf 154.1 billion to this sector that will:
  - Facilitate the increasing of irrigated land to cushion against adverse weather conditions;
  - Promote the use of improved seeds and fertilisers; and
  - Enhance engagement of the private sector in local seeds production with the aim of phasing out the importation of seeds in the future.

Energy

- The allocation of Rwf 158.6 billion to Energy is intended to be invested in the following:
  - Increase electricity connectivity by connecting 500 areas including service centres, schools, health centres and commercial centres such as markets;
  - Increase electricity generation to 304 MW from 221MW. This includes the construction of the Nyabarongo Hydro Power Plant that is expected to generate 43.5MW and completion of the Hakan Peat to Power Plant that would generate 80 MW; and
  - Construction and renovation of transmission lines to reduce electricity losses.
**Education**

- 10% of this year’s budget has been allocated to this sector to improve access to quality education. Some of the interventions envisaged are:
  - Expansion of capacity through the construction of new schools including vocational schools;
  - Training teachers on the new competency-based curriculum and ICT competency framework as well as improving English proficiency;
  - Implementation of in-house text books and distribution;
  - Focus on science-based education;
  - Increase in number of smart classrooms; and
  - Continuing the implementation of the new University of Rwanda (UR) financial model.

**Financial sector**

- Microfinance Institutions have continued to improve financial inclusion in the economy, as evidenced by the growth of deposits in the financial year. The minister has proposed automation and consolidation of Umurenge SACCOs (U-SACCOS) into a Cooperative Bank;
- Sensitisation on long term savings and pension for all Rwandans through Ejo Heza long-term saving scheme;
- Promotion and development of the capital market through operationalisation of capital market investment clinics; and
- Operationalisation of affordable house decent houses through the Development Bank of Rwanda.

**Job creation**

- It is expected that 213,198 jobs will be created using the following interventions:
  - Working with the private sector to implement Work Place Learning by supporting on-job training of 3,300 people;
  - Engaging private companies to host graduates through industrial attachment and internship as well as an apprenticeship; and
  - Supporting and empowering youth and women to create employment through entrepreneurship and access to finance (i.e. facilitation of loans to Small and Medium Enterprises).
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