The information contained in this report is of a general nature and is not intended to address the circumstances of any particular individual or entity. While the information is accurate as at date hereof, there can be no guarantee that the information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.
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General Overview

- **Capital City:** Kigali
- **Currency:** Rwandan franc (RWF)
- **Languages:** Kinyarwanda, English and French
- **Government:** Republic, presidential, multiparty democracy
- **President:** Paul Kagame
- **Population:** 12.10 million (2014 estimate)
- **GDP:** US$ 7.521 billion (2013 estimate)
- **Timezone:** GMT + 2
Political Overview

Rwanda's head of state is the President, who is elected directly by the people for a seven-year term renewable once. The President is also the head of government and the Commander in Chief of the Rwandan Defence Force. Fairly extensive powers are vested in the President, including the conclusion of international treaties, the declaration of a state of emergency and the dissolution of the Chamber of Deputies. Legislative power is held by the National Assembly which is bicameral i.e. the lower house or Chamber of Deputies and the Senate. The former legislative elections (for the lower house i.e. chamber of deputies) took place in September 2013 and the next presidential elections are due in August 2017.

Economic Overview

Rwanda has made substantial progress in stabilising and recovering its economy to levels that existed before the 1994 genocide. Gross Domestic Product (GDP) has displayed average annual growth rates of 7.6% in 2012, 7.4% in 2013 and 7.8% in 2014 according to the Ministry of Finance and Economic Planning. Much of this growth has been based on strong tea and coffee exports and an increasingly prosperous tourist sector. Investment in real estate and infrastructure also continues to grow. The mining sector's significance to the economy is well cemented; in 2014 over 33,000 were employed in the sector, mineral exports fetched over US$ 164 million.

Agriculture comes second in the Rwandan economy, employing 90% of the workforce and contributing 35.9% of the GDP. Manufacturing is very limited and focused on food-processing, but the sector offers many opportunities to small and medium-sized investors. Services also make a significant contribution to GDP (43%) and the sector is dominated by telecommunications, transport and retail.

The Government of Rwanda, through its ‘Vision 2020’ and the Economic Development and Poverty Reduction Strategy and the National Investment Strategy, recognises that the commercial private sector will have to lead the process of economic development and wealth creation. In order to achieve the Vision 2020 goals, the Government estimates that the economy should grow by 8% per year. This would require domestic investment to increase to 30% of GDP by 2020. Privatisation is one of the key elements in the Government’s economic reform and reconstruction efforts and draws on the experiences of a number of African countries which indicate that the private sector must be the engine of growth.

The broad objectives of Rwanda's privatisation plans are:

• relieving the financial and administrative burden on the Government,
• improving the efficiency and productivity of the enterprises privatised and thereby augmenting the sources of government revenue,
• reducing the size of the public sector in the economy, and
• broadening the ownership base of Rwandan enterprises.
Regulatory Environment

In recognition of the private sector as a key engine of growth and development, the Government has implemented impressive regulatory reforms since 2008. These include a new intellectual property law, a law on arbitration and conciliation in commercial matters (2008), a law establishing the Kigali International Arbitration Centre (2010) and a new company law adopted in 2009. Consequently, bureaucratic hurdles have been reduced creating an investor-friendly environment.

As a result of these reforms, the World Bank Group ranked Rwanda amongst the world’s top business climate reformers in 2011 and 2012. Currently, Rwanda is ranked 46th out of 189 economies in the World Bank’s Doing Business Report 2015 in terms of the ease of doing business, and the 3rd in sub-Saharan Africa. Similarly, Rwanda has made notable annual improvements in the 2014 Economic Freedom Index: it is currently ranked 4th out of 46 countries in sub-Saharan Africa. Rwanda made improvements in three of the 10 economic freedoms: business freedom, labour freedom and government spending. In addition, foreign investment is invited in all sectors with no restrictions on equity or ownership.

Bilateral and Multilateral Treaties

Rwanda is a member of the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), the African Union (AU), African Trade and Insurance Agency (ATI) and the World Trade Organisation (WTO). Rwanda has bilateral investment treaties with Belgium, Germany and the United States. Tax treaties (for avoidance of double taxation) have been ratified with Mauritius and Belgium. Rwanda is also party to the World Intellectual Property Organisation (WIPO), the Paris Convention on Intellectual Property, the Universal Copyright Convention and the Berne Copyright Convention. Trade agreements have been concluded with USA, Germany, Netherlands and Switzerland.

Investment Promotion

*Institutions Governing Investment Promotion*

As a result of the investment law of 2006, the Rwandan Development Board (RDB) was established in 2008 to facilitate and fast track new investment projects. RDB consolidates several government agencies previously involved in promoting investment including the Rwanda Investment and Export Promotions Agency, the Rwanda Commercial Registration Service Agency, the Human Resource and Institutional Capacity Development Agency, the Rwanda Information and Technology Agency and the Rwanda Office of Tourism and National Parks. RDB acts as a ‘one stop centre’ for investors and provides assistance in obtaining all required approvals, certificates, land, work permits, and tax incentives. Business plans for potential investors are evaluated by the RDB in order to better allocate investment incentives and record incoming investment. RDB has chosen energy, agriculture, tourism and ICT as priority sectors in which to target investment.
Investment Incentives

Investors registered with the RDB can obtain certificates that make them eligible for certain benefits, including reductions in corporate income tax payable, Value Added Tax (VAT) exemptions on all imported raw materials and imported vehicles for investors and their foreign employees, and duty exemption on plant, machinery and equipment.

The Rwandan Government also offers an investment allowance of 40% of the amount invested in new or used assets, provided the amount invested is at least RWF 30 million (US$ 44,000) and business assets are held for at least 3 tax periods. Investors who demonstrate capacity to add value and invest in priority sectors enjoy greater incentives. The Government also offers grants and special access to credit to investors promoting rural areas.

Tax

Income Tax

Residents are taxed on worldwide income, whereas non-resident corporations are subject to tax on their Rwandan sourced income. A corporation is generally considered to be resident if it is established according to Rwandan law or if its headquarters are in Rwanda. Branches of foreign companies and permanent establishments are also considered resident. Foreign-sourced income derived by residents is subject to corporation tax in the same way as Rwanda-sourced income.

Corporate tax is imposed on a company’s total income after deduction of normal business expenses. The corporate tax rate is 30%, with some discounts for registered investors based on the number of employees and the amount of income derived from the export of goods and services. Losses may be carried forward for 5 tax periods. The carry-back of losses is not permitted.

Withholding Tax

Dividends received between Rwandan-resident companies are not subject to withholding tax and are exempt from tax, in the hands of the recipient. Dividends and the distribution of profits to a non-resident company are subject to a 15% withholding tax unless the rate is reduced under a tax treaty. Interest paid to a non-resident is generally subject to a 15% withholding tax. The withholding tax on royalties is 15%. These rates may be reduced under a tax treaty.

Capital Gains Tax

In general, capital gains are taxed as ordinary income at the standard rate of corporate tax. However, capital gains derived from the sale or cession of commercial immovable property is separately taxed at a rate of 30% while capital gains on secondary market transactions on listed securities are exempt.

Other Tax

Value Added Tax is imposed on the sale of goods and the provision of services. The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases. The registration threshold for VAT purposes an annual turnover of RWF 20 million (US$ 34,500). Voluntary registration is available for taxpayers whose turnover does not meet this threshold.
Stamp and Transfer Duty

No stamp duty or transfer duty regulations are in place. With regards to customs taxes, the general tariff (for goods not originating from East Africa) under the East African Union stipulates import duty rates of 0% for raw materials, 10% for semi-finished goods and 25% for finished goods.

Transfer Pricing and Thin Capitalisation

When independent parties deal with one another, the terms of trade are determined by market forces and may be presumed to be at arm's length. However, for related party transactions, determination of the arm's length price requires a comparison of the conditions in a “controlled transaction” against the conditions in an unrelated party or controlled transaction.

Interest on a loan from a related party that exceeds 4 times the amount of equity may not be deducted from taxable income unless the taxpayer is an individual. This provision does not apply to commercial banks or insurance companies.

Double Tax Treaty with Mauritius

Rwanda has a double tax treaty with Mauritius, South Africa and Belgium which means companies operating in Rwanda and the above listed countries are not subject to double taxation.

Exchange Control

There are no exchange control restrictions in Rwanda but some restrictions are imposed on the import and export of capital. There is no limit on the inflow of funds, but the central bank requires justification for all transfers over US$ 20,000 to monitor potential money laundering. There are also some restrictions on the outflow of export earnings. For example, restrictions apply to the transfer of earnings by expatriation requirements for exporters with transactions exceeding US$ 10,000. In addition, investors can remit payments only through authorised commercial banks. Both residents and non-residents can hold bank accounts in any currency. The Banque Nationale du Rwanda (National Bank of Rwanda) governs matters relating to the management of foreign exchange.

Imports and Exports

Coffee, tea and minerals make up Rwanda's major exports, whilst imports comprise mostly of machinery and equipment, steel, petroleum products, cement and construction materials and foodstuffs. The Rwanda Bureau of Standards is the only body with powers to define and possess national standards. Imports are subject to taxes but some imports are exempted from tax. Regional integration strategies also affect Rwanda's trade regime. The EAC customs union facilitates the movement of goods produced in the region. COMESA countries have a free trade agreement that permits goods originating in member countries and that comply with certain rules of origin to enter other member markets duty free.
The implementation of the East African Customs Union Protocol started on 1 January 2005, and provides for the following:

- A Common External Tariff
- Elimination of Internal Tariffs
- A Common Customs Law (EAC Customs Management Act)
- Common Export Promotion Schemes
- Anti-dumping Measures.

**Accounting Principles**

After the enactment of the new Companies Act in April 2009, companies were given two years from the date of enactment to comply with the provisions of the law relating to companies. The Institute of Certified Public Accountants of Rwanda was established under law n°06/05/2008. The International Financing Reporting Standards are also generally applied by subsidiaries of international companies, banks and financial institutions. For a company that has one or more subsidiaries, the Companies Act, requires that a consolidated balance sheet is prepared within six months of the end of the financial year.

**Industrial Relations**

Labour in Rwanda is readily available, however, highly skilled professionals are limited owing to the country’s recent tragic past. Huge investments have been made in the education sector in order to tackle this problem. The recent Integrated Household Living Conditions Survey disclosed an increment of Rwandans that were able to read from 65.3 to 69.7 % for those aged 15 years and above, this is an indicator that the literacy rate has increased especially amongst the youth. It rose to 76.9% to those aged between 15 and 24 years.

Rwanda has been successful in the empowerment of women who form 55.2% of the population; especially in positions of power. It is important to note that out of 3 State Ministers votes 3 (67%) are women, and out of 16 Ministers 8 are women. Their presence in decision making organs assists women to discuss with their male counterparts on issues that positively impact the ordinary woman who is often marginalized in society.

With regards to Youth Employment, several achievements can be earmarked for instance the Workforce Development Authority has introduced a series of professional schools to strengthen the youth’s technical capacity. These include the Technical Vocational Educational and Training and the Integrated Polytechnic Regional Centres. In addition, the RDB has initiated the Rwanda Youth Internship Program; this initiative aims at improving youth skills’ development and practical experience.

Rwanda has also made effort to adhere to the International Labour Organisation conventions, protecting worker rights. However, enforcement continues to be an issue. Trade unions in Rwanda are not yet contributing fully to the economy, although, collective bargaining agreements are in force in a few companies. Another factor that continues to affect the employment rate, is the fast growth of the population; Rwanda is a small nation with an ever increasing population, and rural-urban migration has impacted the agricultural sector and increased the rate of unemployment especially in urban areas.
Real Property

Although the land is owned by the State, both foreign and local investors can acquire land through leasehold agreements that extend from 20 to 99 years.

Corruption

The Government of Rwanda maintains a high-profile, anti-corruption message; institutions including the Ombudsman’s office, the Anti-Corruption Unit of Rwanda Revenue Authority, and the Auditor General’s Office identify corruption cases.

Rwanda has signed and ratified the UN Anti-corruption Convention. It is a signatory of the Organisation for Economic Co-operation and Development Convention on Bribery. It is also a signatory of the African Union Anti-corruption Convention. Giving and accepting a bribe is a criminal act under law, and penalties depend upon the details of each specific case. The Government is implementing these laws with increasing effectiveness and enforcement is the same for both foreign and local investors.

According to the World Bank Governance Indicator, Rwanda continues to rank 5th least corrupt country out of 53 countries in Africa and 55 out of 175 countries worldwide. Rwanda comes after Botswana 79.9%, Cape Verde 74.6% and Mauritius at 73.2%. Rwanda ranks 55th out of 175 countries in Transparency International’s Corruption Perception Index for 2014.

Consumer Protection

The Law n°36/2012 of 21/09/2012 relating to competition and consumer protection was passed and published and a Competition and Consumer Protection Policy has been adopted by the Rwandan Government. This policy guarantees various consumers’ rights; the right to a guarantee, the right to be shown the prices of all products and services, the right to a valid invoice, the right to customer service and care, the right to safety, protection against unsanitary products on the market, and to curtail malpractices in the trade and supply of essential commodities. The Ministry of Commerce, The National Standards Inspectorate, Competition and Consumer Protection Authority, the Rwanda Utility Regulatory Agency and the Rwanda Bureau of Standards are the main government bodies that are responsible for the enforcement of the policy.

The Consumer’s Association of Rwanda is an organisation that was formed to ensure the protection and promotion of consumers’ rights. It has effectively managed to tackle the problem of excessive prices on the market, to protect consumers’ interests in as far as the quality of goods and services, and sensitize consumers in regard to the protection of their rights and respective duties.
Legal Forms of Incorporation in Rwanda

The Rwandan Company Act provides for the following types of companies: public company and private company. With regards to the scope of liability, a company may have its liability limited to its shares, guarantee, to both shares and guarantee or an unlimited liability. However, it is prohibited for a public company to be limited only by guarantee or an unlimited company. A company may be a sole proprietorship or a branch/subsidiary of a foreign corporation. The law relating to companies the Companies Act of 2009 governs the incorporation, management and reporting of these business entities.

According to the World Bank Doing Business Index, Rwanda is the best performing country in the East African region with ease of starting a business, as well as the 3rd easiest place to do business in Sub-Saharan Africa. The process involves two procedures and takes approximately three days to complete. The table below provides a summary of the procedures and the associated completion time and cost for setting up a private limited company:

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<tr>
<th>Procedure</th>
<th>Time to complete</th>
<th>Cost to complete</th>
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<tr>
<td>1 Check company name, submit registration application and pay registration fee</td>
<td>1 day</td>
<td>RWF 15,000</td>
</tr>
<tr>
<td>2 Pick up registration certificate (when the documentation is ready, the Registrar General signs the registration certificate)</td>
<td>2 days</td>
<td>No charge</td>
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Industry Sectors

Agriculture

Rwanda’s economy is predominantly agricultural; agriculture contributes over 40% (approximately one third of the total GDP) and the agricultural population currently stands at a little less than 80% of the total population. The agricultural sector meets 90% of the national food needs and generates more than 70% of the country’s export revenues. The major exports are coffee and tea; major markets for coffee exports being the United States and Europe, while the Middle East and Pakistan are the main buyers of Rwandan tea.

The country’s Economic Development and Poverty Reduction Strategy defines a large number of priority programs in the agriculture sector including the intensification of sustainable production systems in crop cultivation and animal husbandry; building the technical and organisational capacity of farmers; promoting commodity chains and agribusiness, and strengthening the institutional framework of the sector at central and local level.

Banking and Financial Services

Rwanda’s financial system is small but growing. Less than 20% of the country’s adult population has a bank account or access to financial services. The banking sub-sector consists of the Central Bank (Banque Nationale du Rwanda), fifteen commercial banks and the Development Bank of Rwanda. The Government is gradually reducing its involvement in the
banking sector. Limited access to credit continues to be a hurdle for investors. Interest rates are relatively high and loans are usually only short-term. In an effort to expand financial services coverage for more of the population, the Private Credit Bureau has been operating since 2009.

Over 50 micro-finance institutions operate in Rwanda. Specific rules apply to micro-financing institutions. They need to receive the Central Bank's approval before starting operations. Foreign nationals who propose to manage a micro-credit institution are immediately operational. Capital markets are at an early stage of development, with a small stock exchange. The Rwanda Stock Exchange opened on 31st January 2011.

**Energy**

In Rwanda, over 80% of energy consumed is derived from wood, burnt in its primary state or processed into charcoal. This form of energy is used mainly by households. However, Rwanda has a deficit in wood, both for energy purposes and for other economic activities. Rwanda faces substantial problems with electricity. Responsibility for the generation and distribution of electricity has recently been handed over to the Energy, Water and Sanitation Authority. Only 13% of Rwanda’s population is currently connected to the electricity network, mainly in the capital Kigali and a number of towns. Rwanda imports about 13% of its electricity from neighbouring countries, which further raises the cost. The Government now aims to make better use of existing resources and is actively promoting the following alternatives to the traditional sources of energy production: establishment of micro-power plants, use of solar and wind energy, geothermal energy, use of peat or methane gas from Lake Kivu where there are estimated reserves of 55 billion m³.

Rwanda has neither oil resources nor refineries. All petroleum products are imported. The annual consumption of refined petroleum products is estimated at 100,000 tons, which is imported mainly from Kenya. Around 15 oil companies operate in Rwanda. There are five main storage facilities in Gatsatsa and Butare with a total capacity of almost 30,000 m³; smaller facilities are located in Kigali and Gisenyi.

**Manufacturing**

Rwanda’s key industries include agricultural products, small-scale beverages, soap, furniture, shoes, plastic goods and textiles. There are opportunities across the board in manufacturing in Rwanda, first for the domestic market, which would be of interest especially to small and medium enterprises, and then for the regional market. The high cost of imports in this landlocked country offers opportunities for import-substitution activities that enjoy a certain natural protection. Rwanda’s small industrial sector contributes to 14% of Rwanda’s GDP and employs less than 3% of the population. The manufacturing sector is mostly concentrated in Kigali and is focused on food processing.

**Mining**

The key minerals that are mined and traded are tinstone, tantalite (coltan), wolfram and small reserves of gold. The mining sector is governed by the Law on Mining and Quarry Exploitation, 2008. Investment in the mining sector has recently increased and export earnings reached US$225 million in 2014. The main players in the industry are private investors and small scale artisanal miners. Through the Government’s decision to privatise mineral concessions, a number of large players have entered the market in both exploration and exploitation. These large players are mostly international companies, some of which have joint ventures with local investors. In order to obtain a 30-year permit to develop industrial mining, investors must determine potential mineral deposits in a large scale concession.
**Retail**

The main players in the retail sector are local small scale private investors. However, some large regional investors, mainly from EAC countries have recently entered the retail market; some of these investors include (Nakumatt and Deacons etc.).

**Telecommunications**

Rwanda’s telecommunication sector is dominated by MTN Rwandacell (MTN) and (Tigo) Rwanda. MTN acquired the first mobile telecommunication licence in 1998. A third telecommunication licence was recently granted to Bharti Airtel. The involvement of foreign investors such as MTN and Tigo Rwanda in the ICT sector has been instrumental in the Government’s strategy to develop a knowledge economy and has facilitated business in general. Government investment in setting up a fibre-optic network will help interconnect Rwanda’s regions, promote e-governance and provide fast and efficient ICT infrastructure throughout the country. The Government of Rwanda has made ICT a high priority sector and is in the process of developing a Techno Park near Kigali to facilitate investment in this area. Telecommunications are regulated by Law 44 of 2001, which also created RURA.

**Tourism**

With regards to tourism, the Government of Rwanda has developed a strategy that focuses on high-end eco-tourism and invites private investment, into developing the sector. As part of the Rwanda National Innovation and Competitiveness Program, a group of 40 Private Sector, Public Sector and NGO leaders forming Rwanda’s Tourism Working Group have focused on creating high-value and low environmental impact experiences, for eco-travelers, explorers and business travelers.

**Intellectual Property**

Rwanda is a member of the World Intellectual Property Organisation and party to the Paris, Brussels and Berne conventions and the Hague agreement. Rwanda is also a member of African Regional Intellectual Property Organisation. A law on the protection of intellectual property was enacted in 2009. This law protects patents, utility models, industrial designs or models, layout-designs of integrated circuits, marks, geographical indications, copyrights and related rights.

The Ministry of Commerce, Rwanda Revenue Authority and Rwanda Bureau of Standards work together to address issues involving counterfeit products on the Rwandan market. Despite adherence to key international agreements on intellectual property rights, the sale of counterfeit goods and violations of pharmaceutical patents continue. A dedicated department within RDB (the Office of the Registrar General - the ORG) has been created to improve IPR by registering all commercial entities and facilitating business identification and branding.

**Dispute Settlement**

Most disputes in Rwanda are resolved through litigation in court. In 1998, the Government established an arbitration centre. However, arbitration and alternative methods of dispute resolution remain underdeveloped despite the fact that
the Code of Civil, Commercial, Labour and Administrative Procedures provide for arbitration. Rwanda is a member of the International Centre for the Settlement of Investment Disputes and African Trade Insurance Agency.

Rwanda also signed and ratified the Multilateral Investment Guarantee Agency Convention. Further, an international arbitration centre was established (Kigali International Arbitration Centre) on 31st January 2012. The Centre operates as the forum for settlement of most business-related disputes on both national and international levels and deals with matters also involving the Government of Rwanda and entrepreneurs or investors. It is also a forum for mediation on both national and international levels.
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