



Medium Term Revenue Strategy

The roadmap for reforming Rwanda's taxation system and mobilising domestic revenue

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Outline

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 - MTRS Time line
- Conclusion

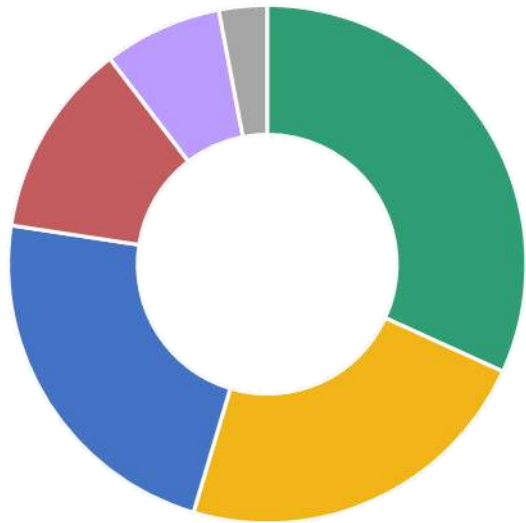


Introduction

- **The Medium-Term Revenue Strategy sets out a package of reforms to align the tax system with Rwanda's long-term social and economic objectives.**
- Covering the period FY 2021/22 to FY 2023/24, the MTRS lays the foundation to achieve upper middle-income status by 2035 and high-income status by 2050.
- It proposes a set of tax policy, administrative, and legal reforms to promote human capital development, improve Rwanda's global competitiveness, and develop a strong Revenue Administration .



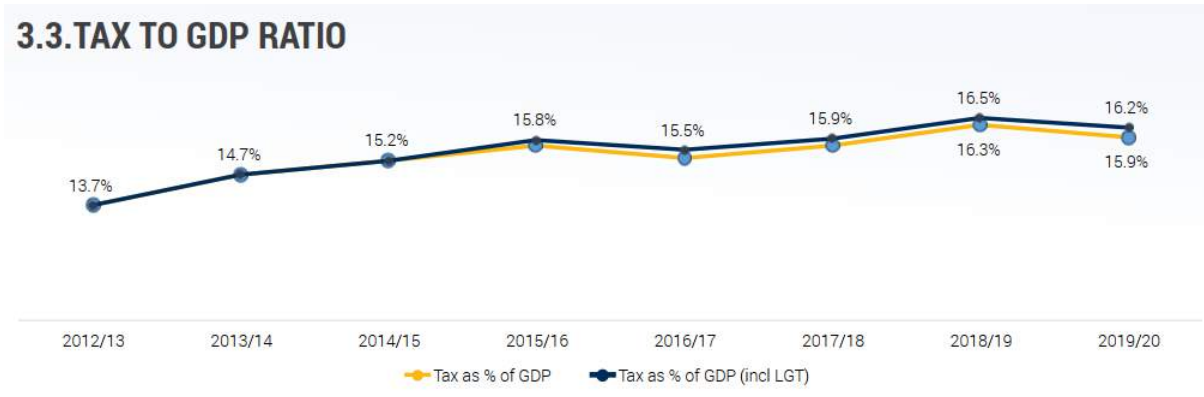
Taxes in Rwanda



- VAT (31.8%) ●
- PAYE (22.8%) ●
- Profit (22.8%) ●
- Excise (12.2%) ●
- Customs (7.4%) ●
- Other (3.0%) ●

RwF 1,887.2 bn
Total Revenue collection 21/22

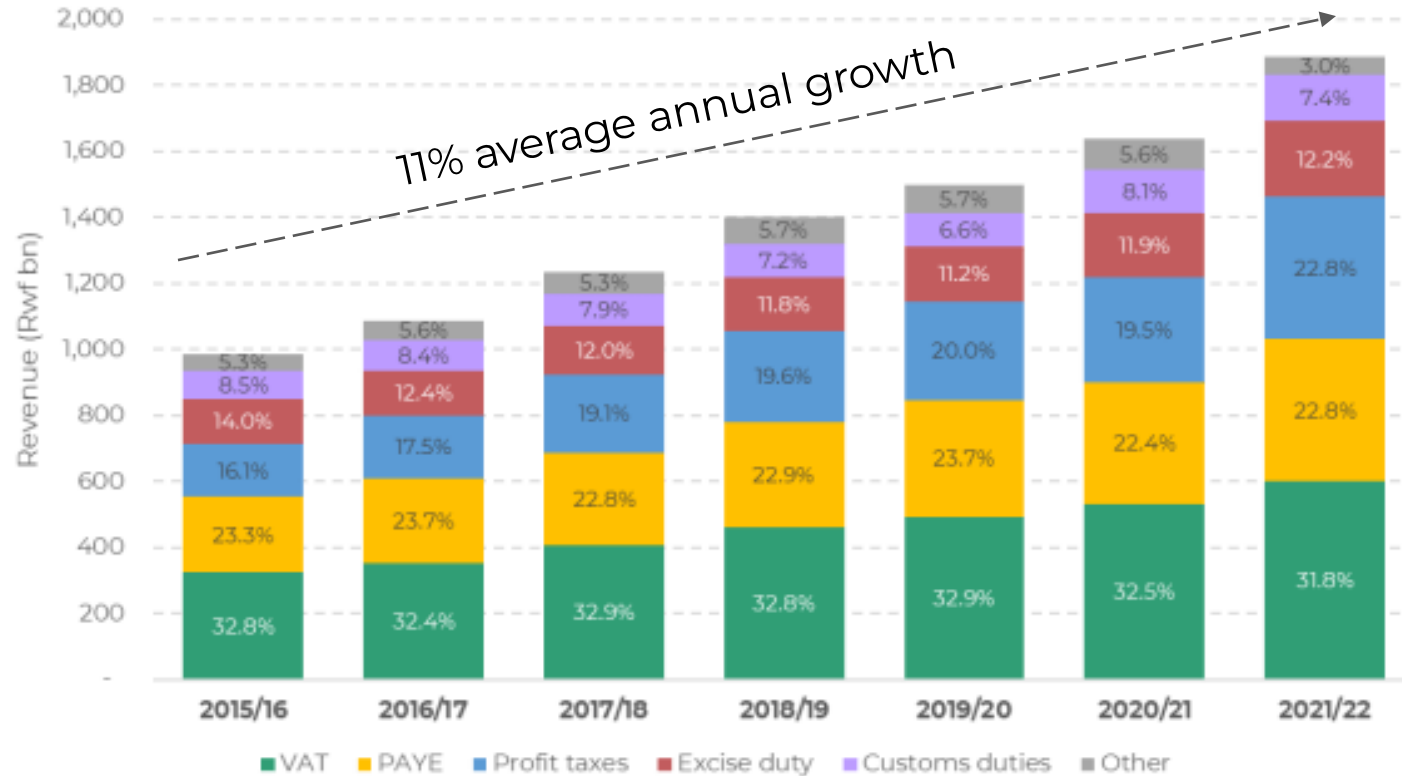
Source: RRA



Source: RRA Tax Statistics 2021



Tax trends in Rwanda

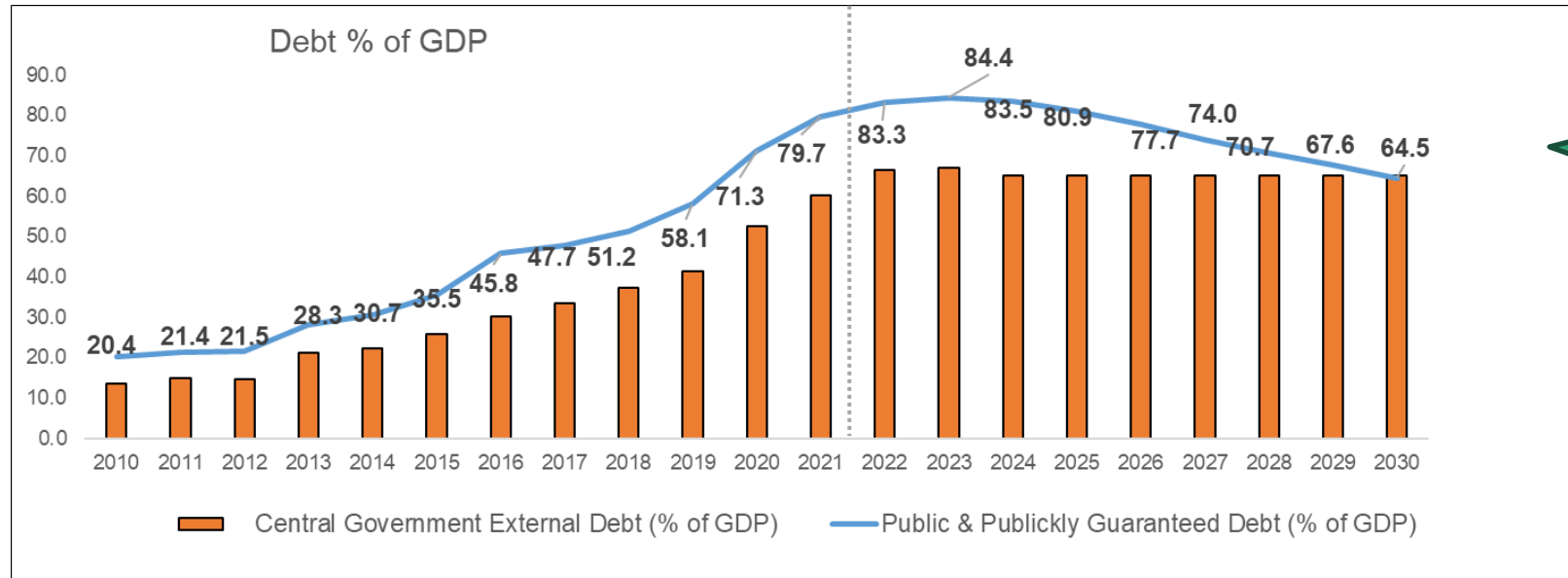


Source: Minecofin/RRA

- Stability of PAYE and VAT shares
- Reduction of excise and Customs duties shares
- Growth of profit taxes share



Need for fiscal consolidation



Source: Minecofin 2021

And this is before we had the inflation crisis...

- As a share of GDP, the **total debt stock has increased significantly** compared to the pre-Covid period
- The **risk status has shifted from Low to Moderate**, with extremely limited buffer to absorb any shock that could occur
- Going forward, debt levels will have to be monitored against the debt path agreed under the IMF program, in order to achieve a level of 64.5 % by 2030 → **Fiscal consolidation.**



What is the purpose of a MTRS?

To choose the medium-term objectives of the tax system and (broadly) how to reach them

1. Assessing medium-term **revenue needs** to finance government plans
2. Agreeing on how the tax system can support **non-revenue objectives**
3. Committing to a **'whole of government'** approach
4. **Designing tax reforms** covering policy and administration



Who else has done this?

A few countries, but not clear how strictly they are adhering to them

Stage	# countries	
Pre-formulation	11	Cameroon, Georgia, Honduras, Jordan, Kenya, Malaysia, Mongolia, Morocco, Myanmar, Togo, Uzbekistan
Formulation	10	Albania, Bangladesh, Benin, Ethiopia, Indonesia, Laos, Pakistan, Rwanda, Thailand, Vietnam
Early implementation	1	Senegal
Implementation	4	Egypt, Liberia, Papua New Guinea, Uganda

Rwanda now in implementation ...



What are the broad objectives of this MTRS?

- **To finance:**

- The National Strategy for Transformation 1, the first stage of Vision 2050
- Fiscal consolidation

To fund socioeconomic objectives e.g. SDGs

- Revenue objective: raise tax-to-GDP ratio by **1 percentage point** between FY21/22 and FY23/24

- **Four guiding principles:**



Efficiency

Minimize cost & administrative burden



Equity

Fair system: those who can pay more do



Simplicity

Improve ease of compliance



Support the Economy

Support economic

Source: MTRS presentation to stakeholders 2021



How will the revenue target be reached?

MTRS Reform Proposal	Revenue Impact over MTRS Horizon (% of GDP)
Tax Policy Reforms	0.48
- PIT Reforms	-0.4
- CIT Reforms	0.8
- VAT Reforms	-0.1
- Excise Duty Reforms	0.15
Administrative Reforms	0.52
- Shadow Economy & VAT rebate scheme	0.02
- Compliance Improvement Strategies	0.46
- Customs: valuation & classification	0.06

Not everything is revenue-raising

Administrative reforms have significant role

Source: Rwanda MTRS



Restructure PIT schedule

Gross Earnings (RwF)	Marginal Tax Rate (%)
< 30,000	0%
30,001 - 100,000	20%
100,000 +	30%



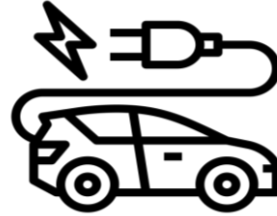
Gross Earnings (RwF)	Marginal Tax Rate (%)
< 60,000	0%
60,000 - 100,000	10%
100,001 - 200,000	20%
200,001 +	30%

Criteria	Previous	Current
Revenue cost	n/a	0.4% of GDP
Tax burden on low-income workers	Tax burden starts from 1,000/day	↓ by up to 10% of income
Simplicity	Both simple to explain, administer and legislate	
Wage growth	Incentivises keeping formal wages at 30,000	↑ for those clustered at 30,000
Formal employment & job creation	High tax burden creates reluctance to formalize	Encourages formalisation; positive message for job creation
Incentive to work more	Tax rate jumps at 30,000	Smooths tax progression up to 200,000
Efficiency		Transfers 20,000 to high income workers
Sustainability	Bracket creep since 2005	Establishes 10% rate

Source: TaxDev & Minecofin policy note



Reform excise on vehicles

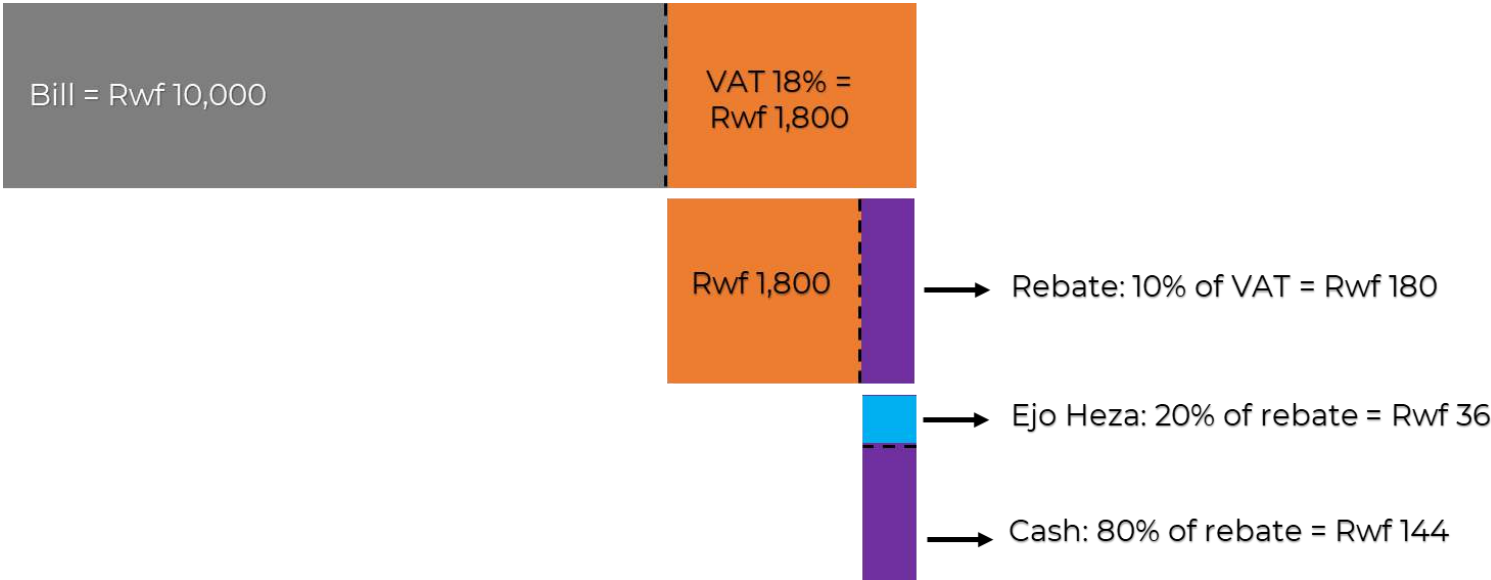


Reduced tax on electric vehicles and parts



VAT rebate

- Example 10% of VAT is given back to consumers when an EBM receipt is issued
- Many design considerations, including a cap on total rebate
- Impact is difficult to predict → scenarios



Source: MTRS



What's the timeline?

Reform group	Study completion	Cabinet approval	Enactment	Revenue impact
Personal income tax	Jan 2020	Sep 2021	Oct 2022	Nov 2022
VAT	Nov 2019	Dec 2022	Jul 2023	Jul 2023
Excise tax	Jun 2022	Dec 2022	April-June 2023	July 2023
Corporate income tax	Dec 2022	May 2023	Oct 2023	Mar 2025



What were the biggest challenges

- Resourcing implementation of MTRS
- Managing role of DPs
- Internal communication & ownership
- Processes outside Ministry's control

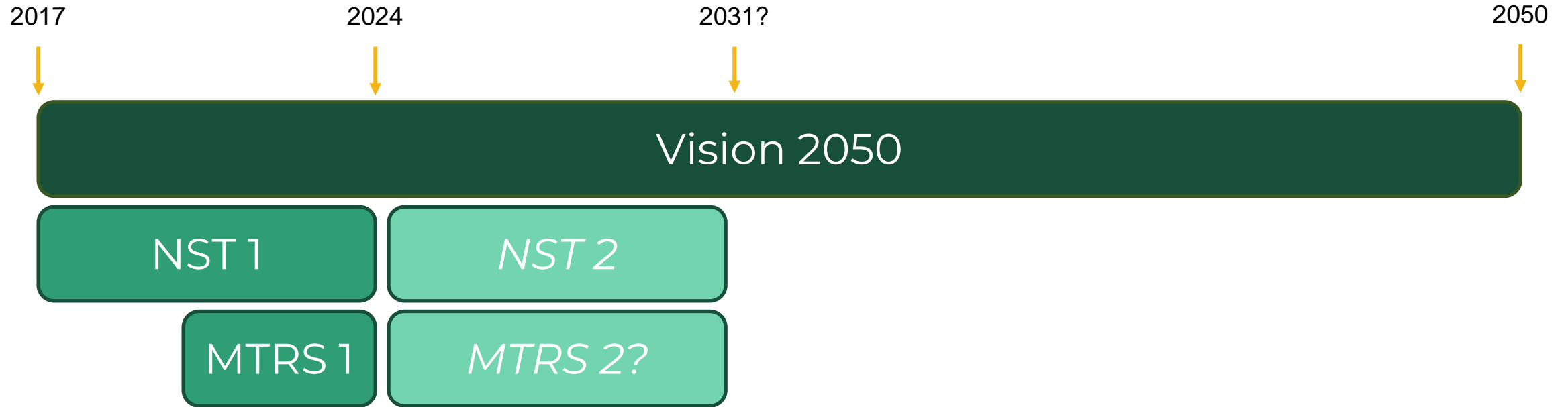


Key takeaways

- MTRS serves national objectives, not a pure revenue collection strategy
- Great opportunity to engage more stakeholders and strengthen social contract
- Can bring coherence to the direction of tax policy
- Political and technical traction is paramount
- A long exercise to commit to...
 - ... and even longer to implement
 - ... and even longer to see the impact of



Looking beyond MTRS 1





Conclusion

- ▶ MTRS serves national objectives, not a pure revenue collection strategy
- ▶ Great opportunity to engage more stakeholders
- ▶ Can bring coherence to the direction of tax policy
- ▶ Political and technical traction is paramount

[Further details on MTRS](#)

<https://www.minecofin.gov.rw/index.php?eID=dumpFile&t=f&f=47839&token=8a225ec327ea93e24ca2ad06633abd4e3f5836e8>

THANK YOU