

REPUBLIC OF RWANDA



RWANDA PUBLIC PROCUREMENT AUTHORITY (RPPA)

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Kigali, on 12 Jun 2014

N^o 010/2014 - 549/RPPA

THE CHIEF BUDGET MANAGER
(ALL)

Subject: Contract prices, taxes and currencies

Dear Sir/Madam,

It has been realized that some procuring entities face challenges during the evaluation of bidders' financial proposals and contract negotiation as well as payment of invoices submitted by suppliers/ contractors when their bidding prices and contract are not clear about taxes and currencies.

It is in this regard that RPPA would like to request and inform you the following:

1. Taxes

- All tender documents must be clear that all tender prices submitted by bidders must include **all** taxes and all contracts amounts must be all taxes inclusive;
- Any bid that does not include all taxes shall be disqualified from the evaluation;
- All invoices must clearly indicate all due taxes. Otherwise it is an obligation of procuring entity to request suppliers/contractor to correct invoices that do not fulfil this requirement before being paid,
- Procuring entities must deduct and withhold all due taxes as provided for by laws and regulations on taxes,
- When the taxpayer is **VAT registered** person/company, her/his invoice must be **generated by a certified electronic billing machine** to be accepted by the procuring entity as stipulates the law on taxes, except when an exemption to use the electronic billing machine has been granted by the Tax Administration as provided for by the legislation on electronic billing machine.

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For your information, the following are taxes retained during invoice payment:

- (i) Withholding tax of fifteen percent (15%) is withheld on the payments made by procuring entities for services and goods rendered or supplied by persons who are not registered in the tax administration,
- (ii) A withholding tax of three percent (3%) on the sum of invoice (excluding the value added tax) is retained on payment. This tax is exempted for those taxpayers whose business profit is exempted from taxation and those taxpayers who have the "Quitus Fiscal" issued by the Commissioner General of Rwanda revenue Authority,
- (iii) You are hereby reminded that taxes must be withheld and transmitted to the tax administration within fifteen (15) working days after they are withheld,
- (iv) Three percent (3%) and fifteen percent (15%) withholding taxes must not be elements in the price paid by the consumer because they are taxes on profits of the supplier withheld by government. Making them elements in the price leads to them being paid by the consumer which is illegal;
- (v) Value Added Tax (VAT) of eighteen percent (18%) applicable to all VAT registered person/company. This tax must be taken into account during financial proposals evaluation as it has to be included in the total price submitted by the winner of the tender. According to the law on taxes, this VAT is to be withheld and paid by procuring entity within fifteen days following the month in which the winner of public contract has submitted the invoice.

2. Currencies

- It is by law that all local companies competing for government tenders submit their bids and sign contracts in local currency (Rwandan franc) and will be paid only in that currency,
- Foreign companies may submit their bids and sign contracts in either local currency or any other currency freely convertible in Rwandan francs or their tender prices can be in both local currency and foreign currency freely convertible in Rwandan francs depending on the nature of the tenders or their portions. **However, payment must be done in currencies in which they have been indicated in their bids and contracts.**

Sincerely,

SEMINEGA Augustus
Director General of RPPA



CC:

- Honorable Minister of Finance and economic planning
- Commissioner General, Rwanda Revenue Authority