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Investing in Rwanda: The Law on Investment Promotion and Facilitation 2021

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ABSTRACT

Wealth creation and acquisition is the most important route to take in order to improve on living standards and the general wellbeing of any individual in particular and the society as a whole. One of such ways (if not the most important way) of creating and acquiring wealth is through strategic investments.

Investing is the process of assigning a particular sum of money or portion of asset in order to attain an increase in value over a period of time (long or short term). Investment involves risk and the willingness to sacrifice money, time, assets and effort.

Like most concepts or notions, investing or investment is regulated, determined, promoted and protected by the law on investment (international or national legislation). In Rwanda, investment projects are regulated, promoted and facilitated by the law no 006/2021 of 05/02/2021. The investment law of Rwanda is designed to promote, facilitate, incentivify and attract foreign investment in certain sectors of the Rwandan economy known as priority sectors (article 4 of the law on investment promotion and facilitation).

Keywords: *Investing, Investment, Rwanda, Incentives, Registration, Investor, Investors.*

I. INTRODUCTION

Investing in one or more priority sectors qualifies an investor (article 1 of the same law defines an investor as an individual or a commercial entity that makes investments in Rwanda) to benefit from investment incentives (some of which will be discussed below) provided for by the law and determined by the board (the board is the organ in charge of investment promotion in Rwanda-investment promotion division of the Rwandan development board).

II. VARIOUS (PRIORITY) SECTORS FOR INVESTMENT IN RWANDA

1. export;
2. manufacturing in the textiles and apparel industry, electronics, information communication and technology equipment,
3. large scale agricultural operations exclusive of coffee and tea plantations.

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4. Pharmaceuticals.
5. wood, glass and ceramics processing.
6. processing and value addition in mining and agricultural equipment including other related industries that fall in these categories.
7. energy generation, transmission and distribution;
8. information and communication technologies.
9. business process outsourcing and financial services.
10. mining activities relating to mineral exploration;
11. transport, logistics and electric mobility;
12. construction or operations of specialized innovation parks or specialized industrial parks;
13. affordable housing;
14. tourism
15. horticulture and cultivation of other high-value plants included on the list approved by the Board;
16. creative arts in the subsector of the film industry;
17. skills development in areas where the country has limited skills and capacity as determined by the Board.

III. GUARANTIES PROVIDED TO AN INVESTOR BY THE RWANDAN GOVERNMENT

In order to promote and attract investment in Rwanda, the government of Rwanda provides several guaranties to protect the interest of investors. Some of these guarantees are;

- 1) the protection of investors capital and assets.

Investors in Rwanda are guaranteed a right to own private property under conditions provided for by relevant laws, whether individually or collectively. Said property is inviolable. To this end, an investors interest in property which is part of an investment project cannot be seized or confiscated except under circumstances provided for by the law.

- 2) Protection of intellectual property rights in relation to investment.

An investors intellectual property rights and legitimate rights with regards to technology transfer are protected in accordance with relevant laws.

3) Repatriation of capital and assets.

Upon complying with relevant tax obligations, an investor is allowed to repatriate the following capital and assets;

- a) Equity capital
- b) Profits derived from business activities,
- c) Debts and interest on foreign loans
- d) Proceeds from the liquidation of investment
- e) Any other assets belonging to the investor.

4) Dispute resolution.

During the period when an investment project persists, any dispute which may arise between an investor and the state or a state organ is amicably settled. If parties are unable to reach an amicable settlement, the parties refer the dispute to an arbitration institute subject to an agreement by both parties. If the parties are still unable to resolve their differences, the matter is sent before a competent court.

IV. REGISTERING INVESTMENT PROJECTS IN RWANDA

An individual or business entity wishing to invest in Rwanda must furnish an investment file with the board. This investment file must state or provide a completed investment application form, a certificate of incorporation, a business plan that includes at least, the name of the project and detailed information on the project in which investment is or will be made, an action plan, date of commencement of operations, detailed information on raw materials sourced in Rwanda or in the locality where the investment is operating. Market survey, a table that indicates a five-year income projection for the investment project, a projected number of employees and categories of employment etc.

When an investment application is submitted to the board, the board considers the application and makes a decision. If the application file is complete, the board approves the application and issues within 2 working days an investment certificate. Alternatively, the application is rejected and the applicant is informed thereof.

Duly issued investment certificates are valid for a period of 5yrs renewable following a request by a registered investor subject to payment of a nonrefundable renewal fee. Under certain conditions, investment certificates can be rescinded. They include;

- 1) Where the investment certificate was issued on the basis of false or fraudulent

declarations of the holder.

- 2) There is a significant and material change which is detrimental to the investment operations.
- 3) If the registered investor fails to fulfil his or her obligations provided for by the law.

V. INVESTMENT INCENTIVE FOR REGISTERED INVESTORS

In an effort to promote, encourage and attract foreign investment, the Rwandan government gives a number of investment incentives. These incentives are particular to selected priority sectors and are awarded upon fulfilment of certain conditions. Some of these incentives are;

- 1) Exclusion from payment of preferential corporate income tax (tax impose on a company's income or capital) if, the investor has its regional office or headquarter in Rwanda, is investing the equivalent of at least 10 million USD, is providing employment and training to Rwandans, spends at least 2 million USD per year in Rwanda, sets up actual and effective administration and coordination of operations in Rwanda and is involve in the procurement of raw materials, marketing the sales, promotion, planning, information and data management services, research and development work, training and personal management etc.
- 2) Payment of 3% preferential corporate income tax for an investor license as a collective investment scheme if , the minimum fund size of the investment is at least 1 million USD, the investment spends a minimum of 50,000 USD per year in Rwanda, the collective investment scheme, managers, custodians and operators are base in Rwanda, at least 30% of the professional staff are Rwandan, at least 25% of its directors are in Rwanda, at least 50% of the board of directors are in Rwanda for the meetings of the board of director etc.
- 3) Investors are granted a preferential corporate income tax rate of 15% when:
 - a) a registered investor undertaking one of the following operations: energy generation, transmission and distribution from peat, solar, geothermal, hydro, biomass, methane and wind etc.,
 - b) a registered investor in the sector of transport of goods and related components is operating a fleet of at least five 5 trucks registered in the investor's name, each with a capacity of at least 20 tons;
 - c) a registered investor operating in mass transportation of passengers and goods with a fleet of at least 10 buses registered in the investor's name, each with a

capacity of at least 25 seats;

- d) a registered investor involved in manufacturing within the sub-sectors of textiles and apparels, electronics information, and communication technology equipment, large scale agricultural operations, processing in wood, glass and ceramics, value addition and professional operations in mining and agricultural equipment etc.,
- 4) investors are exempted from the payment of custom taxes and duties for products used in export processing zones in line with the east African community customs management act.
- 5) Small and medium investors or emerging investors with an investment project involved in export is entitled to a 15% tax deduction of all qualifying expenditures relating to internationalization.

VI. CONCLUSION

Rwanda has a lot of potentials due to the many positive factors which surrounds the investment atmosphere in Rwanda such as safe and stable environment, a huge market of over 10million people which increases to over 125million people due to the fact that Rwanda is a member of the East African Community common market and Customs Union. Also getting a business permit is fast and easy because relevant organs and or authorities are compelled by law to be efficient and time conscious in handling and reviewing registration files and the issuance of permits.
