Rwanda and Luxembourg on 29 September signed an agreement that will eliminate the double payment of taxes by economic actors in both countries.

This Memorandum of Understanding means businesses and investors looking to invest in both countries can do so without having to worry about paying taxes multiple times.

The double tax avoidance agreement (DTAA)will serve as an incentive for businesses and investors in both regions as it eliminates the double payment of taxes on both income and capital, but also aids transparency as it serves as a deterrent against tax evasion and avoidance.

The agreement was signed by the ambassador of Rwanda to Luxembourg (who is resident in Brussels), Dieudonné Sebashongore, and finance minister Pierre Gramegna (DP) during a short ceremony in Luxembourg City.

“This agreement will allow both Luxembourg and Rwandan economic actors to go further in their mutual exchanges. For those who are willing to invest in Rwanda, including the diaspora, this agreement will increase their motivation and facilitate business,” Sebashongore told Delano, adding that the relations between both countries have been cordial and interactions have so far been marked by mutual respect.

Bilateral relations between the countries, up until December 2013 when Luxembourg reassessed its list of official partner countries for development cooperation, was mostly based on development aid with an emphasis on the health and agriculture sectors. It was led by Luxembourg’s development agency, LuxDev, which was at the time also present in Rwanda, said Ndoli Pierre, senior communications and public affairs advisor.

He added that the countries’ relationship has more recently taken more of a partnership format, with knowledge transfers and trainings by the Luxembourg House of Training and its Rwandan counterparts–the Rwanda Revenue authority, the ministry of finance and economic planning, and the National Bank of Rwanda–being organised specifically in relation to banking and finance.

Beyond double taxation, on which the countries have had a breakthrough with the signed agreement, Pierre noted a concern regarding the reluctance of banks to provide loans to companies looking to invest on the continent. This reluctance has eased up following the 2016 launch of a financing facility–the business partnership facility (BPF)–which was initiated and financed by the Luxembourg government with an annual budget of €1m to co-finance up to 50% of development, job creation and knowledge transfer projects led by Luxembourg and European private sector partners in developing countries.

“Our agreement is another building block of the economic success that we wish you. On the surface, the signing of this agreement may seem to be something administrative, but for all the countries with which Luxembourg has signed agreements on double taxation, the interest and the will is to strengthen bilateral relations, to make them easier, clearer and more transparent. In this way, we will be able to trade with each other and forge links that go beyond the framework of development aid,” noted Gramegna.

The agreement, which intends to attract Luxembourg investors in Rwanda, is also in line with Rwanda’s ambition to attract international investors on the African continent through its Kigali International Financial Centre, and to position itself as an ideal location for pan-African investments thanks to the AfCTA framework.

The first-ever trade mission by the grand duchy to Rwanda took place in 2019 with top-level representatives from Luxembourg in attendance. About four projects were initiated during this mission, including a hotel project in Rwanda by Luxembourg-based group Onomo. Due to covid-19, discussions stalled for a bit, but this will once again kick off, noted Pierre, starting with an e-banking project together with a Luxembourg company which was not disclosed.

Discussion on the DTAA was first initiated by Luxembourg in 2019 with the first round of negotiation taking place in January 2020 in Luxembourg City. The second round of negotiations followed online from 26 November to 2 December 2020. The final negotiation round, also held online, took place on 27 April this year. The agreement will enter into force following its ratification by both countries