Rwanda’s Parliament on Tuesday approved a series of revised tax laws that will, for the first time, impose taxes on hybrid vehicles and subject gambling companies to a 40% income tax, as part of a broader fiscal reform aimed at boosting domestic revenue and supporting national development goals.

The Chamber of Deputies passed amendments to laws governing income tax, value-added tax (VAT), and excise duties. The changes are aligned with the country’s National Strategy for Transformation (NST2), officials said, and are intended to make Rwanda more self-reliant in financing its development.

Under the new measures, previously exempt hybrid vehicles will now be taxed, signaling a shift from earlier policies designed to encourage eco-friendly transportation. Meanwhile, betting and lottery operators will be taxed at a 40% rate on their income — among the highest levies in the new framework.

“These legal reforms are designed to strengthen our economy and promote self-reliance in financing development programs,” said Odette Uwamariya, chair of the parliamentary Committee on National Budget and State Property, which reviewed the draft laws.

The reforms also include more stringent penalties for tax offenses, but it was a proposed article introducing jail time for tax evaders that sparked heated debate in Parliament.

Article 18 of the newly passed consumption tax bill outlined prison sentences for individuals convicted of evading taxes on goods. Several lawmakers pushed back, saying the criminal penalties were too harsh and could discourage entrepreneurship.

“I don’t think imprisonment is the right response,” said lawmaker Christine Mukabunani. “Fines could be increased instead. Sending a businessperson to jail has far-reaching consequences.”

Germain Mukabalisa argued that Rwanda’s criminal justice policy should favor non-custodial measures. “There are many forms of punishment. Imprisonment isn’t what prevents crime — it’s a combination of deterrents,” he said.

MP Furaha Rubagumya suggested that courts should have the discretion to impose either fines or jail time depending on the severity of the offense, while lawmaker

Nyirabazayire proposed dissolving businesses found guilty of tax fraud to prevent repeat violations.

Jean Claude Ntezimana warned the punitive measures could hurt Rwanda’s investment climate. “We risk losing investors to neighboring countries,” he said.

Deputy Speaker Sheikh Mussa Fazil Harerimana acknowledged the concerns, noting that while Rwanda has relatively lenient laws on tax offenses, enforcement must not be overly punitive.

Uwamariya defended the proposed penalties as a necessary deterrent. “Someone who deliberately avoids tax payments shouldn’t simply walk away with a minor penalty,” she said.

State Minister for Finance and Economic Planning Godefroy Kabera backed the committee’s stance, saying tougher penalties are key to curbing tax evasion.

In response to the debate, lawmakers agreed to amend Article 18 to give judges more flexibility. Offenders will now face a fine ranging from 1 million to 2 million Rwandan francs ($800 to $1,600), a prison sentence of six months to one year, or both, depending on the court’s decision.

The new consumption tax law will also introduce levies of 15% on cosmetics and beauty products and 65% on alcoholic beverages, while raising rates on some previously taxed goods, including motor vehicles.