Government introduces installment plan and penalty relief as unpaid taxes continue to rise sharply

Tax arrears in Rwanda reached 725.3 billion Rwandan francs in the 2024/25 fiscal year, according to the Rwanda Revenue Authority (RRA), with 374,175 taxpayers failing to meet their obligations.

The latest report highlights a steady rise in both the number of defaulters and the amount owed. In 2019/20, 21,940 taxpayers were in arrears, compared with 49,119 in 2020/21. By 2021/22, the number rose to 106,424, reaching 238,700 in 2022/23, 301,580 in 2023/24, and 374,175 in 2024/25.

Unpaid taxes have also grown over the years. Arrears stood at 354.7 billion francs in 2019/20, rising to 485.1 billion in 2020/21, 525.8 billion in 2021/22, 690.6 billion in 2022/23, 608.6 billion in 2023/24, and 725.3 billion in 2024/25.

“These arrears are significant,” the RRA report said. “They could fund three Amahoro Stadiums, build 453 kilometers of paved road, or construct nearly nine modern hospitals.” For context, the 151-kilometer Gicumbi-Rukomo road cost 200 billion francs, while a 46-kilometer expansion of Kigali-Muhanga is projected at $120 million.

To improve compliance, the RRA has introduced new measures to ease the payment of tax arrears. A 2024 directive allows taxpayers to pay arrears in up to 12 installments without a 10% advance payment or collateral, both of which were required under previous rules. Taxpayers experiencing financial hardship may receive an additional 24 months to complete payments.

The government also passed an order lifting penalties for individuals and businesses who voluntarily declare unpaid taxes, encouraging taxpayers to self-report without fear of punishment.

Despite arrears, overall tax collection continues to rise. The RRA collected 3,079.8 billion francs in 2024/25, surpassing the target of 3,041.2 billion francs by 1.3%.

Rwanda’s business sector has expanded rapidly in recent years. The National Institute of Statistics (NISR) reports that more than 269,000 businesses were created in the past decade, 95.9% of them privately owned. By 2024/25, 420,172 businesses were registered, including 355 large, 766 medium, and 419,172 small

enterprises.

The number of high-revenue businesses is also rising. By the end of 2024, Rwanda had 2,290 businesses generating 1 billion francs or more annually, more than double the 1,027 reported in 2020. Collectively, these businesses earned 18,442.3 billion francs in 2024.

The RRA report underscores both the challenges of growing tax arrears and the government’s efforts to increase compliance through flexible repayment options and penalty relief.