



Tax Alert: VAT goes digital

**Rwanda brings online
services into the VAT net**



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Introduction

Rwanda has taken an important step in bringing the digital economy into the VAT net. Ministerial Order No. 004/26/10/TC of 29 April 2026 clarifies VAT obligations for online goods and services, invoice adjustments, and cancellations. The Order follows the introduction of digital services taxation within Law No. 049/2023 establishing Value Added Tax.

For foreign digital platforms, online service providers, payment processors, and Rwandan consumers, the message is clear: where online services are supplied to customers in Rwanda or consumed in Rwanda, VAT compliance can no longer be treated as optional. The new rules are designed to make VAT collection more effective in a market where services are increasingly supplied through apps, platforms, subscriptions, and electronic marketplaces.

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Why this matters in Rwanda's digital economy

Rwanda's tax system is adapting to the way people now buy, sell, learn, advertise, bank, stream, and work online. As more Rwandan consumers and businesses purchase software, cloud services, digital advertising, streaming subscriptions, online education, and platform-based services from foreign suppliers, traditional VAT collection models become harder to apply.

The 2026 Order responds to that challenge by clarifying when online supplies are treated as taking place in Rwanda and who is responsible for VAT compliance. This is also part of a wider compliance and revenue-mobilisation agenda. The Order is expected to support digital-economy enforcement and requires the RRA to establish a designated online portal integrated with financial institution systems to support withholding, registration, and exemption processes.

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What services are covered?

The scope is broad. The Order applies to a wide range of digital goods and services supplied online. The examples include software, online gaming, advertising platforms, media streaming, online education, web hosting, and electronic marketplaces. In everyday terms, this may affect cloud accounting software, digital advertising, streaming subscriptions, online courses, app-store purchases, web hosting, and software-as-a-service products.

The key point is that the supplier does not need a physical office in Rwanda. If the service is supplied to or consumed by a customer in Rwanda, VAT obligations arise. A foreign software company selling subscriptions to Rwandan users will therefore be required to register, charge VAT, and remit it to the RRA. An international streaming platform serving Rwandan subscribers may also be brought into the VAT collection system through registration, a local representative, or withholding by the payment channel.

A practical example would be a foreign software-as-a-service provider charging a Rwandan company USD 1,000 per month for access to an online platform. If the service is treated as supplied in Rwanda, the provider may need to register or appoint a local representative so that Rwanda VAT is properly charged and remitted. If it does not do so, the compliance burden may shift to the payment channel under the withholding mechanism.

The challenge is breadth. The breadth of this scope may, however, create practical uncertainty for smaller foreign suppliers that do not actively target Rwanda but may have occasional Rwanda-based users. Experience in other jurisdictions suggests that large global platforms can usually adapt their systems, while smaller suppliers may struggle to identify Rwanda obligations or may find registration, filing and systems changes disproportionate to the size of the market.



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When is an online service treated as supplied in Rwanda?

The Order clarifies the place-of-supply rule. Online goods and services are deemed supplied in Rwanda where the customer or recipient is in Rwanda or where consumption takes place in Rwanda. Relevant indicators include a Rwanda billing address, a Rwanda mobile SIM card, or a Rwanda-based bank account.

That makes sense in a digital world. Online transactions leave data trails, even where the supplier is abroad. It also reflects the basic VAT principle that consumption should generally be taxed where it occurs.

But the data will not always be tidy. A customer may live in Kigali but use a foreign card. A user may register with a foreign billing address, travel while using the service, or access the platform through a virtual private network. These mismatches can make it difficult for suppliers, banks, and payment providers to decide whether Rwanda VAT applies.

For example, a student may subscribe to a foreign e-learning platform while travelling but pay using a Rwanda-based bank card and a Rwandan billing address. Those indicators may point to Rwanda. Likewise, a streaming subscription paid through a Rwanda mobile money wallet may create a Rwanda nexus even if the platform has no physical presence in the country.

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Foreign suppliers: register or appoint a representative

Foreign suppliers providing taxable online goods or services to Rwandan customers must register for VAT in Rwanda. Where a foreign supplier is not registered, it may appoint a local representative in Rwanda to fulfil VAT obligations. This is an important compliance option for suppliers that serve the Rwanda market but do not have a local entity.

For foreign businesses, this means Rwanda VAT should be assessed before launching or continuing services to Rwandan customers. Registration, invoicing, filing, and payment processes will need to be built into commercial operations, payment systems, and customer terms.

For Rwandan business customers, supplier compliance may reduce reverse-charge complexity, but local recipients may still need to ensure that suppliers are properly complying with their obligations.

The practical challenge is enforcement against suppliers with no local office, staff, assets, or bank account in Rwanda. Unless such suppliers voluntarily comply, the RRA may have limited practical leverage, which makes simple registration processes, clear guidance, and engagement with major platforms especially important.





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Payment providers: the new VAT gatekeepers

The most practical—and potentially most difficult—feature is VAT withholding. Registered suppliers or their local representatives are responsible for withholding and remitting VAT. If the supplier is not registered and has no representative, the financial institution processing the payment, including a mobile money provider, payment gateway, or bank, must withhold and remit VAT.

This is powerful because Rwanda's digital economy runs through electronic payments. It allows VAT to be collected even where the foreign supplier has no physical presence in Rwanda. But it also turns banks, mobile money providers, and payment gateways into tax gatekeepers.

That creates a real administrative burden. Payment providers must identify relevant payments, distinguish taxable online services from other cross-border payments, apply the correct treatment, and report accurately. That is not always simple from payment descriptions alone.

There is also a commercial problem. Many foreign digital suppliers expect to receive the full listed price. If a Rwandan customer pays for Netflix, an online professional course, cloud storage, or an e-learning platform and the bank withholds 18% from the invoice amount, the supplier's system may treat the payment as incomplete. Access may not be activated, or a subscription may be suspended. In practice, the customer may need to gross up the payment so the supplier receives the full invoice amount while VAT is separately remitted to the RRA.

This creates a policy tension. The regime is designed to bring foreign online service providers into the Rwanda VAT net. But if the supplier does not register or adjust its billing system, the economic burden may fall on the Rwandan customer. The customer pays more, while the foreign supplier still receives its full commercial price. This issue is especially likely for automated services such as streaming platforms, app stores, online courses, cloud tools, software-as-a-service products, and digital advertising platforms.

The VAT withholding mechanism also creates a risk of double collection. A registered foreign supplier may charge Rwanda VAT, while a payment provider may also withhold VAT if systems are not aligned. Clear supplier-registration checks, payment coding, customer notifications, and communication between the RRA, banks, mobile money providers, and platforms will be essential.

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The tax point remains familiar—but digital timing is messy

The Order does not appear to change the normal VAT tax-point rules in the main VAT law. VAT continues to apply at the earliest of delivery, receipt of payment or issuance of an invoice. This continuity is helpful because it allows digital suppliers to adapt their systems without having to learn an entirely new tax-point concept. The practical difficulty is that many digital services operate through automatic renewals, free trials, delayed invoicing, wallet balances, platform credits, or bundled services, which may make it difficult to determine exactly when delivery, payment, or invoicing occurs.

However, digital suppliers should ensure that their systems can identify the relevant event accurately. For subscription businesses, this may require careful mapping of invoice issuance, payment capture, and service activation. For marketplaces, this may require clear allocation of responsibilities between the platform, seller, payment provider, and customer.

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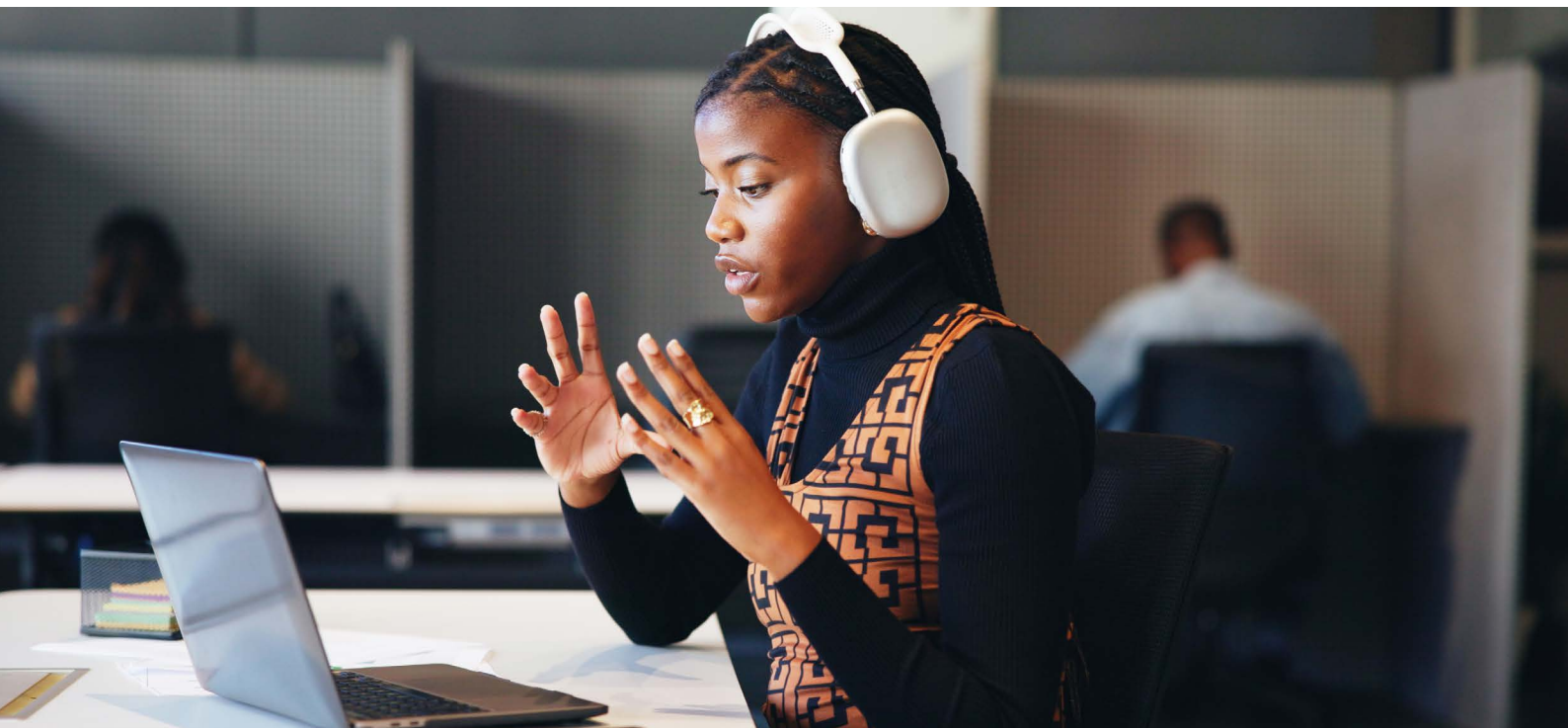
Cancellations and refunds need fast correction

The Order also addresses invoice adjustments and cancellations for online services. Online service suppliers may correct VAT amounts remitted to the RRA where transactions are cancelled, prices change, or bad debts arise. Other relevant situations may include non-delivery of goods, damage, returns, or disagreement on the purchase.

Buyers may request invoice cancellations through a designated electronic portal where there are valid reasons such as non-delivery or return of goods. For example, if an online service is invoiced but later cancelled, the local buyer may request an invoice adjustment before the VAT return is filed so that the VAT liability reflects the cancelled service.

A simple example is an online training subscription purchased by a Rwandan company. If the training is cancelled and the fee is refunded, the VAT should also be corrected. The challenge will be speed and data alignment. The supplier, customer, and payment provider may each hold different information, and delays may lead to over-collection or refund disputes.

This matters because digital transactions are fast, high-volume and often subscription based. Without efficient correction mechanisms, VAT reporting may quickly fall out of step with commercial reality.





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Implementation will make or break the regime

The new framework strengthens compliance expectations, but several practical The 2026 Order requires action within three months of publication—that is, by end July 2026. During that period, the RRA is expected to establish a designated online portal integrated with financial institution systems to support VAT withholding, registration, and exemption processes. Persons liable under the Order must register or appoint representatives accordingly.

The success of the regime will depend heavily on the portal and the surrounding guidance. Other jurisdictions that have introduced

VAT or GST on digital services have often relied on simplified registration portals, practical guidance, lists or checks for compliant suppliers, and close engagement with major platforms and payment processors. Rwanda may need the same practical approach.

Government should also monitor the effect on pricing and access. Some suppliers may pass VAT costs to Rwandan users. Others may restrict access, avoid smaller markets, or require regional billing arrangements. A workable regime should collect tax without making digital tools harder to access.



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What affected businesses should do now

Foreign digital service providers should identify whether they supply taxable online services to Rwandan customers. They should review customer-location indicators such as billing address, SIM card location, and bank account location. They should assess whether they must register for VAT in Rwanda or appoint a local representative. They should also update invoicing, payment, VAT calculation, and filing systems to capture Rwanda VAT correctly.

Rwandan businesses buying digital services from foreign suppliers should confirm whether the supplier is registered or has appointed a local representative. They should also review whether reverse-charge or other local reporting obligations remain relevant where suppliers are not compliant.

Payment processors, banks, and mobile money operators should prepare for withholding obligations where non-registered foreign suppliers receive payments from Rwandan customers. Local customers should also consider the cash-flow impact of possible gross-up payments where the foreign supplier requires full invoice settlement and the payment provider must separately withhold VAT.

Digital businesses should also document how they determine customer location, how they identify Rwanda-linked transactions, and how they prevent duplicate VAT collection where both supplier registration and payment-provider withholding may apply. These controls will be particularly important during the early implementation period, when suppliers, customers, and financial institutions are still aligning their systems.

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Final takeaway

Rwanda's 2026 VAT Order is a clear signal: VAT enforcement is going digital. Digital suppliers can no longer assume that having no physical presence in Rwanda means having no Rwanda VAT obligations. Rwandan customers, payment providers, and foreign platforms are now part of the same compliance ecosystem.

For the public, the point is straightforward: as Rwanda's economy becomes more digital, tax collection is becoming more digital too. For businesses, the action point is urgent: map Rwanda-linked digital supplies, confirm whether registration or a local representative is required, and make sure systems can charge, withhold, report, and correct VAT before compliance failures become tax costs.

For customers and payment providers, the big practical question is who ultimately bears the VAT cost when a foreign supplier expects the full invoice value. If banks withhold from the invoice amount, services may fail or customers may have to gross up payments. That risk should be addressed before implementation becomes a consumer problem.

For Government, the priority should be workability. Practical solutions could include a simplified non-resident VAT registration portal, a public and regularly updated register of compliant foreign suppliers, and a clear rule that banks and payment providers should not withhold where the supplier is already registered and charging Rwanda VAT. Similar digital VAT regimes in other jurisdictions have often relied on simplified registration, targeted guidance, and engagement with major platforms rather than requiring every payment intermediary to answer complex tax questions transaction by transaction.

Government could also introduce a practical merchant-identification system. Payment providers could withhold only where the payee falls within defined digital-service categories—such as streaming platforms, app stores, cloud services, e-learning providers, online advertising platforms, and other listed providers—or where the payee is absent from the RRA's compliant supplier register. That would be more administrable than expecting banks to interpret every cross-border payment description.

The gross-up issue also needs clear guidance. Where an unregistered foreign supplier expects full payment, the rules should state whether the Rwandan customer must pay VAT on top of the listed price, whether the bank should withhold from the listed price, and how the customer should be notified before payment is completed. This matters for online TV subscriptions, online courses, cloud storage, software-as-a-service products, and app-store purchases, where automated systems may suspend access if the supplier receives less than the advertised price.

Finally, Rwanda should consider phased implementation, safe harbours, and fast correction mechanisms. A phased approach could start with large, easily identifiable digital platforms before expanding to smaller suppliers. Safe harbours could protect banks and payment providers that apply RRA-approved codes, supplier lists or customer-location indicators in good faith. Efficient refunds and corrections will also be essential where VAT is withheld in error, a registered supplier also charges VAT, or a transaction is cancelled. Without these safeguards, a well-intended regime could create payment failures, customer gross-up costs and administrative burdens that undermine access to digital services.

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How the PwC team can help

The PwC team can assist foreign digital suppliers, Rwandan businesses, banks, mobile money operators, and payment gateways in:

- assessing how the new VAT rules apply to their transactions and systems. This includes reviewing whether online services are supplied or consumed in Rwanda
- assessing registration or local representative obligations
- acting as local representatives
- designing practical VAT collection and withholding processes
- reviewing customer-location indicators
- addressing gross-up and double-collection risks
- supporting invoice adjustment and refund procedures, and
- helping businesses prepare implementation roadmaps, controls and engagement strategies with the RRA.



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