

REPUBLIC OF RWANDA

Kigali, 07 OCT 2013
No. 3884/13/10/NB



MINISTRY OF FINANCE AND ECONOMIC PLANNING
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Hon. Minister (All)
Hon. Minister of State (All)
Chief Budget Manager (All)

Re: Consolidation of Rwanda tax exemptions and tax incentives regimes

Reference is made to article 81 of the Constitution of the Republic of Rwanda which stipulates that no exemption from or reduction of tax may be granted unless authorized by law. It is on the basis of this requirement that the Ministry of Finance and Economic Planning sends a budget call circular every year to all government institutions reminding them to make budget provisions for all tax obligations relating to all planned transactions for the fiscal year under consideration.

Contrary to the foregoing, we have witnessed several requests for tax exemption from different government institutions, which is in violation of the principles prescribed in the Constitution and the relevant taxation laws. It is against this background that the Ministry of Finance and Economic Planning would like to remind you of the following:

- a) The tax laws and investment code clearly prescribe the requirements for eligibility to benefit from exemptions and tax incentives. The relevant provisions of the concerned laws have been attached for your reference. Accordingly, the Ministry of Finance and Economic Planning should not be receiving any request for tax exemption and tax incentives from government institutions.
- b) No government institution is allowed to exempt any taxes or give any tax incentives whether through a Grant Agreement, Memorandum of Understanding, Cooperation Agreement to a development partner, contractor, private company, Non-Government Organization, without authorization from the Ministry of Finance and Economic Planning.

- c) Only grant agreements to which the Ministry of Finance and Economic Planning is a signatory or cosignatory to provide exemption from taxes. However, in all cases, international and local contractors contracted to implement tax-exempt donor funded projects shall not be exempted from corporate and personal income tax.
- d) All Government institutions should provide for all tax obligations relating to planned transactions through the budget process every year. Payment of taxes a compulsory payment that should not be ignored at all costs. The Ministry of Finance and Economic Planning shall at no point provide additional funding in budget revision or otherwise to cover tax obligations since these should comprise of first charge items in the budget ceiling.

Yours sincerely,


Claver GATETE
Minister



CC:

- Rt. Hon. Prime Minister
- Auditor General of State finances
- Commissioner General of RRA

LIST OF INCENTIVES AND EXEMPTIONS PROVIDED BY TAX LAWS

1. LAW N° 16/2005 OF 18/08/2005 2005 ON DIRECT TAXES ON INCOME:

1. Article 26: Investment allowance

An investment allowance of forty percent (40%) of the invested amount in new or used assets may be

depreciated excluding motor vehicles that carry less than eight (8) persons, except those exclusively used in a tourist business is deductible for a registered investor in the first tax period of purchase and/or of use of such an assets if:

1° the amount of business assets invested is equal to thirty million (30,000,000) Rwandan francs; and,

2° the business assets are held at the establishment for at least three (3) tax periods after the tax period in which the investment allowance was taken into consideration.

The investment allowance becomes fifty (50%) if the registered business is located outside Kigali or falls within the priority sectors determined by the Investment Code of Rwanda.

The investment allowance reduces the acquisition or construction cost, as well as the basic depreciation value of pooled business assets.

2. Article 32: Exemption on capital gain

Article 32 of the above law provides that Capital gain on secondary market transaction on listed Securities is exempted from capital gains tax.

3. Article 39: Exemption from corporate income tax

Article 39 of the law on income tax provides that the Government of Rwanda and the following entities are exempted from corporate income tax:

1° the City of Kigali, Districts, Towns and Municipalities;

2° the National Bank of Rwanda;

3° entities that carry on only activities of a religious, humanitarian, charitable, scientific or educational character, unless the revenue received during a tax period exceeds the corresponding expenses to the extent that those entities conduct a business;

4° international organizations, agencies of technical cooperation and their representatives, if such exemption is provided for by international agreements;

5° qualified pension funds;

6° the Rwanda Social Security Fund;

7° the Rwanda Development Bank;

4. Article 41: Tax rate

“Taxable Business profit is rounded down to the nearest one thousand Rwandan Francs (1,000 RWF) and taxable at a rate of thirty percent (30%).

Newly listed companies on capital market shall be taxed for a period of 5 years on the following rates:

1° 20% if those companies they sell at least 40% of their shares to the public;

2° 25% if those companies sell at least 30% of their shares to the public;

3° 28% if those companies sell at least 20% of their shares to the public.

Venture capital companies registered with the capital markets Authority in Rwanda benefit from a corporate income tax of zero percent (0%) for a period of five (5) years from the date the decision has been taken.

However, a registered investment entity that operates in a Free Trade Zone or foreign companies that has its headquarters in Rwanda that fulfill the requirements stipulated in the Rwandan Law on Investment Promotion, are entitled to:

1° pay corporate income tax at the rate of zero per cent (0%);

2° exemption from withholding tax mentioned in Article 51 of the Law n° 16/2005 of 18/08/2005 on direct taxes on income;

3° tax free repatriation of profit.

Registered investor shall be entitled to a profit tax discount of:

1° two percent (2%) if he/she employs between one hundred (100) and two hundred (200) Rwandans employees;

2° five percent (5%) if he/she employs between two hundred and one (201) and four hundred (400) Rwandans employees;

3° six percent (6%) if he/she employs between four hundred and one (401) and nine hundred (900) Rwandans employees;

4° seven percent (7%) if he/she employs more than nine hundred (900) Rwandans employees.

The tax discount mentioned in the previous paragraph is granted to the investor only if he or she maintains the employees for a period of at least six (6) months during a tax period, and the employees are not in the category of employees who pay at the rate of zero percent (0%) as stipulated in Article 50 of Law n° 16/2005 of 18/08/2005 on direct taxes on income”.

5. Article 42: Tax rate

Article 42 of the law on income tax provides that, if a taxpayer exports commodities or services that bring to the country between three million (3,000,000) US dollars and five million (5,000,000) US dollars in a tax period, he or she is entitled to a tax discount of three percent (3%).

If he or she exports commodities or services that bring to the country more than five million (5,000,000) US dollars in a tax period, he or she is entitled to a tax discount of five percent (5%).

Also Companies that carry out micro finance activities approved by competent authorities pay corporate income tax at the rate of zero percent (0%) for a period of five (5) years from the time of the approval of the activity. However, this period may be renewed by the order of the Minister.

2. LAW N°37/2012 OF 09/11/2012 ESTABLISHING THE VALUE ADDED TAX

1. Article 5 of VAT law provides for goods and services that shall be zero-rated:

1° exported goods and services:

- a) Exported goods bearing stamps recognised by the Commissioner General;
- b) Transportation services and other related services with regard to export goods referred to in item a) of this Article;
- c) transportation services of goods in transit in Rwanda to other countries including related services;
- d) aircraft benzene;
- e) services rendered abroad;
- f) goods used in aircrafts from Rwanda to abroad;
- 2° goods sold in shops that are exempted from tax as provided for by the law governing customs;
- 3° services rendered to a tourist for which value added tax has been paid;
- 4° the following goods and services intended for special persons:
 - a) goods and services intended for diplomats accredited to Rwanda that are used in their missions but whose countries should also give the same privileges to the Rwandan diplomats;
 - b) goods and services intended for international organizations that have signed agreements with Rwanda;
 - c) goods and services intended for projects funded by partners that have signed agreements with the Government of Rwanda.

2. Article 6 of VAT law provides for goods and services that are exempted from Value Added Tax:

- 1° services of supplying clean water and ensuring environment treatment for non-profit making purposes and with exception of sewage pumping out services;
- 2° goods and services related to health purposes:
 - a) health and medical services;

b) Equipment designed for persons with disabilities;

c) Goods and drugs appearing on the list provided for by an Order of the Minister.

Bodies eligible for exemption under Sub Paragraph 2° b) of this Article are required to be recognised by Rwanda laws on public institutions, social welfare organisations and any other form of voluntary or charity institutions.

3° educational materials and services:

a) Educational services provided to students of nursery, primary, secondary and higher institutions of learning;

b) educational services provided by social welfare organizations to students and other youths, meant for promoting the social, intellectual and spiritual development and for non-profit making purposes;

c) Educational services provided for vocational institutions;

d) Educational materials supplied directly to institutions of learning.

Bodies eligible for this exemption shall be required to be recognised by law and fulfil the required conditions.

4° books, newspapers, journals and other electronic equipment used as educational materials.

5° transportation services:

a) transportation of persons by road in a bus and a coach licensed under the law on vehicles in traffic and which have a seating capacity for fourteen (14) persons or more;

b) transportation of persons by air;

c) transportation of persons or goods by boat;

d) transport of goods by road;

6° lending, lease and sale:

a) sale or lease of a land property;

b) sale of a whole or part of a building meant for residential purposes;

c) renting of or grant of the right to occupy a house used predominantly as a place of residence of one person and his/her family, if the period of accommodation for a

continuous term exceeds ninety (90) days;

7° financial and insurance services:

- a) premium charged on life and medical insurance services;
- b) Fees charged on the operation of current accounts;
- c) Transfer of shares;
- d) capital market transactions for listed securities.

8° precious metals: sale of gold in bullion form to the National Bank of Rwanda;

9° any goods or services in the course of burial or cremation of a body, including the provision of any related licence or certificate;

10° energy supply equipment:

- a) energy saving lamps;
- b) solar water-heaters;
- c) wind energy systems;
- d) gas, gas cylinders and related materials;
- e) equipment used in the supply of biogas energy;
- f) kerosene intended for domestic use, premium and gasoil.

11° trades union subscriptions;

12° leasing of exempted goods;

13° all agricultural and livestock products, except processed ones, which are exempted from value added tax. However, milk which is processed in local industries is exempted from this tax;

14° agricultural input and other agricultural and livestock equipments provided by an Order of the Minister;

15° the following goods and services imported by persons with investment certificate are exempted from value added tax:

- a) Industrial machinery;
- b) raw materials for industries;
- c) building and finishing materials imported by an investor fulfilling the requirements determined by an Order of the Minister;

- d) Refrigerating vehicles, tourist vehicles, ambulances, fire-extinguishing vehicles and hearses;
- e) Vehicles and movable property and equipment for foreign investors and Rwandans living abroad and their expatriate staff;
- f) Equipment for tourism and hotel industry and relaxation places appearing on the list determined by an Order of the Minister;
- g) Goods and services meant for free economic zone;
- h) medical equipment, drugs, agricultural equipment input, livestock and fishing equipment and agricultural input;
- i) didactical equipment ;
- j) special tourist aeroplanes.

Exemptions referred to under Sub Paragraph a), h) and i) concern all investors even if they do not possess the investment certificate.

16° mobile telephones and SIM card;

17° information, communication and technology equipment appearing on annex of this law.

3. LAW N° 26/2005 OF 17/12/2005 RELATING TO INVESTMENT AND EXPORT PROMOTION AND FACILITATION

ANNEX I: INCENTIVES OFFERED TO INVESTORS WHO IMPORT GOODS

1° MACHINERY AND RAW MATERIALS

An investor who imports machinery and raw materials shall be exempted from import duties.

2° PRIVILEGES ON MOVABLE PROPERTY AND EQUIPMENT

A foreign investor or an expatriate who work for a registered investment enterprise, on individual basis, shall be exempted from duties on one personal car, his or her personal properties and on household properties in accordance with laws on customs.

3° EQUIPMENT IN EDUCATION FIELD

A registered investor in a private educational institution shall be exempted from payment of import duties on imported equipment and on ordinary materials.

4° SPECIALISED VEHICLES

A registered investor who imports specialised vehicles that is to say hotel shuttles, refrigerated vehicles, tourist vehicles, ambulances and fire-extinguishing vehicles shall be exempted from payment of import and excise duty.

5° TOURIST CHARTERED AEROPLANES

An investor who imports aeroplanes for transportation of tourists is exempted from payment of taxes.

6° FREE ECONOMIC ZONES

An investor operating in a free economic zone shall be entitled to a right of importing machinery, equipments and raw materials (for the industry) and other goods free of duty.

7° BUILDING AND FINISHING MATERIALS

Registered investors who fulfill requirements of Article 27 of the law relating to investment and export promotion and facilitation are allowed to import building and finishing materials in accordance with stipulations of the above mentioned law shall pay an amount equivalent to five percent (5%) of their value while in Rwanda (CIF) to replace the duty that was supposed to be paid as import duty and excise duty.

8° MEDICAL EQUIPMENT, MEDICINAL PRODUCTS, AGRICULTURAL EQUIPMENT, LIVESTOCK, FISHING AND INPUTS

An investor who imports medical equipment, medicinal products, agricultural equipment, livestock, and fishing and inputs shall be exempted from import duty imposed on those goods.

9° EQUIPMENT FOR TOURISM AND HOTEL INDUSTRY

An investor in tourism and hotel industry shall be exempted from payment of import duties on the following equipment.

a. Reception

- i. Switchboard;
- ii. Water Spray ;
- iii. Safe;
- iv. Air conditioners.

b. Bedroom fittings

- i. Carpet;
- ii. Beds and their accessories;
- iii. Television;
- iv. Small fridge;
- v. Safe;
- vi. Window fittings for sound, heat and light proofing;
- vii. Room furniture (as part of the overall house design);
- viii. Air conditioners.

c. Laundry and dry cleaning equipment

- i. Washing machines;
- ii. Driers;
- iii. Laundry and dry cleaning equipment;

d. Restaurant and bar

Chairs and tables (not made in plastic);

- ii Deep freezer and fridge;
- iii. Dish washer;
- iv. Air conditioners.

e. Conference halls

- i. Furniture and carpets (not made in plastic);
- ii. Sound system and microphones;
- iii. Overhead projector;
- iv. LCD video projector;
- v. Air conditioners.

f. Kitchen

- i. Stoves;
- ii. Ovens;
- iii. Deep fryers;
- iv. Grill;
- v. Dish warmer,
- vi. Cold rooms,
- vii. Refrigerator,
- viii. Dish washing machine.

g. Swimming pool

- i. Water pumps and filters;
- ii. Equipment for fitness centres, sauna, steam bath and massage.

h. Outdoor leisure

- i. Children's play ground: swings, slide, carousel, and trampoline
- ii. Equipment for tennis courts & maintenance, nets, steamroller, training machine and lighting;
- iii. Golf equipment.

i. Lobby, public places and room corridors

- i. Carpets;
- ii. Furniture.

j. Machines for house maintenance

- i. Generator;
- ii. Machinery for construction of cylinges, plumbing, electricity, air conditioning and refrigeration;
- iii. Solar system for electricity or water production;
- iv. Water treatment system;
- v. Liquid waste treatment plant;

- vi. Lightning conductor;
- vii. Chiller, air conditioning shaft;
- viii. PABX: Radio communication system machine in hotels and bars;
- ix. Broadcasting system for Television and music in rooms and public areas;
- x. Radio communication system;
- xi. Fire alarm system, extinguishers and sprinklers;
- xii. Ventilation and extraction of bad smell in technical rooms and basement.

k. Gardens

- i. Integrated watering system in the gardens

l. Dancing hall and bar

- i. Sound system equipment;
- ii. Refrigerators ;
- iii. Air conditioners for discotheques;
- iv. Lights used in discotheques.

ANNEX II : INCENTIVES OFFERED IN THE LAW ON DIRECT TAXES ON INCOME

A. INVESTMENT ALLOWANCE

An investment allowance of forty per cent (40%) of the invested amount in new or used assets may be depreciated excluding motor vehicles that carry less than eight (8) persons, except those exclusively used in a tourist business is accepted to deduct from a registered investor in the first tax period of purchase or of use of such an asset if:

1° the amount of business assets invested is equal to at least thirty million (30,000,000) Rwandan francs; and,

2° the business assets are held at the establishment for at least three (3) tax periods after the tax period in which the investment allowance was given.

The investment allowance shall be fifty per cent (50%) if the investor carries out operations in rural areas outside the City of Kigali or invests money in priority sectors as mentioned in law establishing Rwanda Investment Promotion Agency.

The investment allowance reduces the item value or construction cost, as well as the basic depreciation value of pooled business assets.

If the business asset that is granted an investment allowance is disposed of, before the provisions of point 2° on the paragraph one related to investment allowance,, the reduction of income tax caused by the investment allowance, increased by an interest applicable to late monthly filers starting from when that investment allowance was granted to the time of disposal, shall be paid back to the Tax Administration unless such an asset is out due to natural calamities or other involuntary conversion.

B. TRAINING AND RESEARCH EXPENSES

All Training and Research expenses incurred by a taxpayer and declared and earlier agreed and which promote activities during a tax period are considered as deductible from taxable profits in accordance with provisions of Article 21 of the law on direct taxes on income.

Expenses on training, research and on promotion of activities as applied in the Article mentioned above do not concern the purchase of land, houses, buildings and other immovable properties including refining, rehabilitation and reconstruction as well as exploration expenses and other assets.

TAX RATE IN RELATION TO PROFITS AND RWANDAN EMPLOYEES,

Taxable Business profit is rounded down to the nearest 1,000 RWF and taxable at a rate of thirty per cent (30%).

However, a registered investment company which carries out its non taxable economic operations or a foreign company which has its headquarters in Rwanda and which fulfils what is required by Rwandan law on investment promotion shall be entitled to:

- 1° pay corporate income tax at the rate of zero per cent (0%);
- 2° exemption from interest tax mentioned in article 51 of the law on direct taxes on income;
- 3° non-taxed repatriation of profits abroad.

A registered investor shall be entitled to a profit tax discount of:

- 1° two per cent (2%) if the investor employs between one hundred (100) and two hundred (200) Rwandans;
- 2° five per cent (5%) if the investor employs between two hundred and one (201) and four hundred (400) Rwandans;
- 3° six per cent (6%) if the investor employs between four hundred and one (401) and nine hundred (900) Rwandans;
- 4° seven per cent (7%) if the investor employs more than nine hundred (900) Rwandans.

The mentioned tax discount shall only be granted to the investor if he or she employs such employees for a period of at least six (6) months during a tax period, and are not in the category of employees who pay at the rate of zero per cent (0%) stipulated in article 50 of the Law on direct taxes on incomes.

D. TAX RATE IN RELATION TO EXPORT COMMODITIES AND SERVICES

If a taxpayer exports commodities or services that bring to the country between three million (3.000.000) US dollars and five million (5.000.000) US dollars in a tax period, he or she shall be entitled to a tax discount of three per cent (3%).

If he or she exports commodities or services that bring to the country more than five million (5.000.000) US dollars in a tax period, he or she shall be entitled to a tax discount of five per cent (5%).

Companies that carry out micro finance activities approved by competent authorities shall pay corporate income tax at the rate of zero per cent (0%) for a period of five (5) years from the time of their approval. However, this period may be renewed by the order of the Minister.

5. THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004, *FIFTH SCHEDULE (s 114)*

The following Goods imported or purchased before clearance through the customs by or on behalf of privileged persons and institutions are exempted:

1. The Presidents

Goods for use by the Presidents of the Partner States

2. Partner States Armed Forces

All goods, including materials, supplies, equipment, machinery and motor vehicles for the official use of Partner States Armed Forces

3. Commonwealth and Other Governments

Goods consigned to officers or men on board a naval vessel belonging to another Commonwealth Government for their personal use or for consumption on board such vessel.

Goods for the use of any of the Armed Forces of any allied power.

4. Diplomatic and First Arrival Privileges

(1) Household and personal effects of any kind imported by entitled personnel or their dependants including one motor vehicle imported or purchased by them prior to clearance through customs within ninety days of their first arrival in a Partner State or such longer period not exceeding three hundred and sixty days from the date of his arrival, as may be approved by the Commissioner in a Partner State in specific cases where the entitled personnel have not been granted an exemption under item 4 (4) of Part A or item 5 (3) of Part B:

Provided that this exemption shall apply to entitled personnel who may have arrived for a new contract notwithstanding their previous residential status in a Partner State while in execution of another assignment, provided further that each contract is for a term not less than two years.

(2) One motor vehicle which the ministry responsible for foreign affairs of a Partner State is satisfied as having been imported as a replacement for a motor vehicle originally imported under paragraph (1) which has been written off due to accident, fire or theft:

Provided that customs duty shall be payable at the appropriate rate if the written off motor vehicle is disposed of locally.

(3) Goods for the official use of the United Nations or its specialised agencies or any Commonwealth High Commission, or of any foreign embassy, consulate or diplomatic mission in a Partner State.

(4) Goods for the use of a high official of the United Nations or its specialised agencies, or a member of the diplomatic staff of any Commonwealth or foreign country, where specific provision for such exemption is made by the minister responsible for foreign affairs.

(5) Goods for the United Nations or any of its specialised agencies for the support of a project in a Partner State.

(6) On first arrival in a Partner State or within three months of that date, the household and personal effects, including one motor vehicle, of an employee of the United Nations, or of its specialised agencies, of any Commonwealth High Commission, or of any foreign embassy, consulate or diplomatic mission, where the employee:

(a) is not engaged in any other business or profession in a Partner State; and

(b) has not been granted an exemption under item 4(1), (2) and (4) of Part A or item 5 (3) of Part B.

(7) Any motor vehicle acquired free of duty pursuant to the provisions of this item shall on re-sale or upon other disposition, whether or not for any material consideration, be liable to duty notwithstanding that the period of two years allowed has elapsed.

5. Donor Agencies with Bilateral or Multilateral Agreements with the Partner States

(1) Household and personal effects of any kind imported by entitled personnel or their dependants, including one motor vehicle imported or purchased by them prior to clearance through customs, within ninety days of their first arrival in a Partner State or such longer period not exceeding three hundred and sixty days from the date of his arrival, as may be approved by the relevant authority in a Partner State in specific cases where the entitled personnel have not been granted an exemption under item 4 (4) of Part A or item 5 (3) of Part B:

Provided that the exemption under this paragraph shall apply:

(i) to entitled personnel who may have arrived for a new contract for a term of not less than two years, notwithstanding their previous residential status in a Partner State while in execution of another assignment;

(ii) only once every four years where there is an on going project; and

(iii) to an additional motor vehicle where there is a bilateral agreement between the Government and aid agency entered into prior to the coming into force of this Protocol.

(2) One motor vehicle, which the Commissioner in a Partner State is satisfied, is imported as a replacement of another motor vehicle originally imported under paragraph (1) and which has been written off due to accident, fire or theft:

Provided that any motor vehicle acquired free of duty pursuant to the provisions of this item shall on resale or upon other disposition whether or not for any material consideration be liable for duty notwithstanding that the period of two years has elapsed.

6. International and Regional Organisations

Goods and equipment imported by donor agencies, international and regional organisations with Diplomatic accreditation or bilateral or multilateral agreements with a Partner State for their official use.

7. *The War Graves Commission*

Goods, including official vehicles but not including office supplies and equipment and the property of the Commission's staff, for the establishment and maintenance of war cemeteries by the Commonwealth War Graves Commission.

8. *Disabled, Blind and Physically Handicapped Persons*

Materials, articles and equipment, including one motor vehicle, which:

- (a) are specially designed for use by disabled or physically handicapped persons or;
- (b) are intended for the educational, scientific or cultural advancement of the disabled for the use of an organisation approved by the Government for the purpose of this exemption:

Provided that the exemption in respect of motor vehicles shall not apply to paragraph (b).

9. *Rally Drivers*

(1) One motor vehicle for each rally driver and spare parts specified in paragraph (2) which:

- (a) are imported or purchased prior to clearance through customs for use in the rally;
- (b) having been temporarily imported under the Act for use in the rally, are purchased during the period of temporary importation by a rally driver resident in a Partner State for use in a rally;
- (c) Having been imported under conditions whereby exemption of duty is granted under this Schedule, or whereby remission or refund of duty has been granted by the Commissioner, are purchased by a rally driver resident in a Partner State for use in the rally; and
- (d) in the case of vehicles only, are assembled in a Partner State and purchased by a rally driver for use in the rally.

(2) Paragraph (1) shall apply to the following spare parts imported by a rally driver for use in the rally:

- (a) one engine assembled complete, or such individual parts making up one engine as the rally driver requires, including, in either case, a starter motor, alternator and clutch;
- (b) one gear box assembly complete;
- (c) one differential assembly and one front and rear axle assembly, or such individual parts making up one front and rear axle assembly as the rally driver requires;
- (d) not more than four front suspension assemblies, or such individual parts making up those assemblies as the rally driver requires: and

(e) not more than two sets of rear shock absorbers.

(3) Exemption of duty under paragraph (1) and (2) is made on the condition that:

(a) it applies only to motor vehicles and parts imported or purchased for use by bona fide rally drivers resident in a Partner State who have been approved and recommended to the Commissioner or a person authorised by him or her in writing, by the rally authorities and accepted as such by him;

(b) where the motor vehicle or parts ceased to be used or, in the case of parts, to be reassigned for use, for rally purposes or are disposed off in a Partner State to persons not entitled to exemption from, or remission of duty, duty shall, immediately become payable at the appropriate rate; and

(c) where the motor vehicle parts cease to be used, or in the case of parts, to be assigned for use, for rally purposes or are disposed off in a Partner State to persons not entitled to exemption from, or remission of duty, duty shall subject to paragraph (5), immediately become payable at the appropriate rate.

(4) Nothing in paragraph (3) (a) or (c) shall prevent the motor vehicle or spare parts from being used in other rallies in a Partner State.

(5) Where a person to whom an exemption has been granted under this item, fails to take part in the rally, duty shall become payable at the rate applicable on the date the Rally ends.

10. Goods and Equipment for Use in Aid Funded Projects

Part B - General exemptions

Goods imported or purchased before clearance through customs

1. Aircraft Operations

(a) Any of the following goods, which are imported for, use by the national carrier or any airline designated under an air services agreement between the Government of a Partner State and a foreign government:

Aircraft, aircraft engines, parts and accessories thereof, air navigational instruments; lighting, radio and radar apparatus and equipment of specialised nature for the repair, maintenance and servicing of an aircraft on the ground; ground signs, stairways for boarding aircraft, imported solely for use in connection with aircraft; catering stores, such as luncheon boxes, cardboard trays, paper plates, paper napkins, imported for use by any airline.

(b) Any of the following goods, which are imported for use by an approved ground handler or caterer:

(i) equipment of a specialised nature for repairs; maintenance and servicing of an aircraft.

(ii) specialised aircraft loading and unloading equipment; and

(iii) stairways for boarding and loading aircrafts.

(c) Aircraft spare parts imported by aircraft operators or persons engaged in the business of aircraft maintenance:

Provided that such spare parts shall be imported on the recommendation of the authority responsible for civil aviation in the Partner State and in such quantities as the Commissioner may specify.

2. Containers and Pallets

(a) Containers, including boxes, tins, bottles, jars, and other packages in which any goods not liable to ad valorem duty are packed and imported, being ordinary trade packages for the goods contained therein;

(b) Pallets and pre-packing slings;

(c) Containers specially designed and equipped for carriage by one or more modes of transport.

(d) Imported containers, which the Commissioner on the recommendation of the Director of Veterinary Services is satisfied, and specially designed for storing semen for artificial insemination;

(e) Packing material of any kind designed for packaging goods for export.

3. Deceased Person's Effects

Used personal effects, subject to such limitations as the Commissioner may impose, which are not for resale and have been the property of the deceased person and have been inherited by or bequeathed to the person to whom they are consigned. The personal effects include one motor vehicle which the deceased owned and used outside a Partner State.

4. Fish, Crustaceans and Molluscs

Fish, Crustaceans and Molluscs, fresh (dead or live) chilled or frozen caught and landed by canoes or vessels registered and based in a Partner State

5. Passengers' Baggage and personal effects

(1) Goods imported by passengers arriving from places outside the Partner States shall, subject to the limitations and conditions specified in the following paragraphs:

The goods shall be:

(a) the property of and accompany the passenger, except as provided in paragraph 7;

(b) for the personal or household use of the passenger in a Partner State; and

(c) of such kinds and in such quantities as the proper officer may allow.

(2) Notwithstanding paragraph (1) (c), the following goods shall not be exempted under this item:-

(a) alcoholic beverages of all kinds, perfumes, spirits and tobacco and manufactures thereof, except as provided in paragraphs 6 and 7 of this item;

(b) fabrics in piece;

(c) motor vehicles, except as provided in paragraph (3) and (4);

(d) any trade goods or goods for sale or disposal to other persons.

(3) Subject to paragraphs (1) and (2) of this item, the following goods may be exempted under this item when imported, as baggage by a person on first arrival in a Partner State whom the proper officer is satisfied is bona fide changing residence from a place outside a Partner State to a place within a Partner State, where the person has neither been granted an exemption under this paragraph nor resided in a Partner State before his arrival other than on temporary non resident visits:

(a) wearing apparel;

(b) personal and household effects of any kind which were in his personal or household use in his former place of residence;

(c) one motor vehicle, "(excluding buses and minibuses of seating capacity of more than 13 passengers and load carrying vehicles of load carrying capacity exceeding two tonnes)" which the passenger has personally owned and used outside a Partner State for at least twelve months (excluding the period of the voyage in the case of shipment):

Provided that the person has attained the age of eighteen years.

(4) Subject to paragraphs (1) and (2) of this item, the following goods may be exempted under this item when imported as baggage by a person whom the proper officer is satisfied is making a temporary visit not exceeding three months to a Partner State:

(a) non-consumable goods imported for his personal use during his visit which he intends to take out with him when he leaves at the end of his visit;

(b) consumable provisions and non-alcoholic beverages in such quantities and of such kinds as are in the opinion of the proper officer consistent with his visit;

(c) that the goods are imported by a returning resident being an employee of an international organisation the headquarters of which are in a Partner State and who has been recalled for consultations at the organisation's headquarters.

(5) Subject to paragraphs (1) and (2) of this item, the following goods may be exempted under this item when imported as baggage by a person who the proper officer is satisfied is a resident of a Partner State

returning from a visit outside a Partner State and who is not changing residence in accordance with paragraphs (3) and (4):

(a) wearing apparel;

(b) personal and household effects which have been in his personal use or household use.

(6) Subject to paragraph (1) of this item, and subject to sub-paragraph (b) of this paragraph, duty shall not be levied on the following goods imported by, and in the possession of a passenger:-

(a) spirits (including liquors) or wine, not exceeding one litre or wine not exceeding two litres;

(b) perfume and toilet water not exceeding in all one half litre, of which not more than a quarter may be perfume;

(c) cigarettes, cigars, cheroots, cigarillos, tobacco and snuff not exceeding in all 250 grammes in weight.

The import duty free allowance shall be granted only to passengers who have attained the age of eighteen years.

(7) Subject to paragraphs (1) and (2) of this item, the exemptions granted in accordance with paragraphs (3), (4) and (5) of this Item may be allowed in respect of baggage imported within ninety days of the date arrival of the passenger or such further period not exceeding three hundred and sixty days from such arrival as the Commissioner General may allow.

The duty free allowances granted in accordance with paragraph (6) of this item shall not be allowed in respect of goods specified in the paragraph imported in unaccompanied baggage.

(8) Where any person who has been granted an exemption under paragraphs (3) or (4) changes his residence to a place outside a Partner State within ninety days from the date of his arrival, he shall export his personal or household effects within thirty days, or such further period not exceeding sixty days from the date he changes his residence to a place outside a Partner State, as the Commissioner may allow, otherwise duty becomes payable from the date of importation.

6. Samples and Miscellaneous Articles

Samples and miscellaneous articles not imported as merchandise which in the opinion of the Commissioner have no commercial value.

7. Ships and Other Vessels

Passenger and cargo vessels of all kinds of twenty -five net register tonnage or more, cable ships, floating factories, whale catching vessels, trawlers and other commercial fishing vessels (other than sport fishing vessels), weather ships, hopper barges; lighters, pontoons (being flat decked vessels used for the transportation of persons or goods) and ferry boats; parts and accessories, but not including batteries and sparking plugs

8. Preparations for cleaning dairy apparatus

Surface-active preparations and washing preparations whether or not containing soap, specially prepared for cleaning dairy apparatus.

9. Mosquito nets and materials for the manufacture of mosquito nets.

10. Seeds for Sowing

All seeds spores and cut plants, imported specially treated, which the relevant authority in the Ministry responsible for Agriculture has approved as fit for sowing.

11. Chemically defined compounds used as fertilizers

Upon recommendation of the authority responsible for Agriculture in the Partner State.

12. Museums, Exhibits and Equipment

(a) Museum and natural history exhibits and specimens, and scientific equipment for public museums; and

(b) Chemicals, reagents, films, film strips and visual aids equipment, the importation of which is approved in writing by the relevant authority in a Partner State, imported or purchased prior to clearance through Customs by the National Museums.

13. Urine bags and hygienic bags

Urine bags and hygienic bags for medical or hygienic use, in such quantities as the Commissioner of a Partner State may allow.

14. Diagnostic Reagents

Diagnostic reagents recommended by the Director of Medical Services or the Director of Veterinary Services for use in hospitals and clinics subject to such limitations as the Commissioner in a Partner State may impose.

15. Plastic sheeting for agricultural, Horticultural or Floricultural use

Upon recommendation by the Authority responsible for Agriculture in the Partner State-

(a) Shade netting of materials of plastics;

(b) Reinforced sheeting of polymers of vinyl chloride (PVC) or of polyethylene;

(c) High density polyethylene (HDPE) sheeting in rolls for use in lining dams in a farm; and Polyvinyl chloride (PVC) or polyethylene for use in covering green houses.

16. Raw materials for manufacture of medicaments

Raw materials imported for use in the manufacture of medicaments.

17. Education

Educational articles and materials as specified in the Florence Agreement.

18. Splints for use in the manufacture of matches

Splints imported by manufacturer for use in the manufacture of matches

19. Inputs for use in the manufacture of agricultural equipment

Inputs imported by a manufacturer for use in the manufacture of agricultural equipment

20. Relief goods imported for emergency use in specific areas where natural disaster/calamity has occurred in a Partner State

Goods for emergency relief purposes of such quantities and within a specified period imported by government or its approved agent or a non-governmental organisation or a relief agency as authorised by the Director/Commissioner responsible for disaster management in a Partner State provide that:

(a) the goods are household utensils, food stuffs, materials for provision of shelter, and equipment and materials for health, sanitary and education purposes,

(b) the goods are for use in areas where a natural disaster or calamity has occurred in Partner State,

(c) the importation shall be made within 6 months or such further period not exceeding 12 months as the Commissioner of a Partner State may permit in each case,

(d) the quantities of imported goods shall be subject to such limitations as the Commissioner may impose, and the Commissioner shall submit a notification of the exemption detailing the description of the goods and quantities to the Directorate for circulation to other Partner States.

21. Hotel Equipment

Any of the following goods engraved or printed or marked with the hotel logo imported by a licensed hotel for its use:

- (a) Washing machines;
- (b) Kitchen Ware;
- (c) Cookers;
- (d) Fridges and freezers
- (e) Air Conditioning Systems;
- (f) Cutlery;
- (g) Televisions;
- (h) Carpets;
- (i) Furniture;
- (j) Linen and Curtains;
- (k) Gymnasium equipment

22. (a) *Refrigerated trucks*

(b) *Insulated tankers*

23. *Speed Governors*

24. *Computer Software*

Any media containing computer software;

25. *Electrical Energy saving bulbs for lighting also known as Compact Fluorescent Bulbs*

Compact Fluorescent Bulbs (Energy Saving Bulbs) with power connecting cap at one end.

26. *Specialised Solar equipment and accessories*

Specialised Solar powered equipment and accessories including deep cycle batteries which exclusively use and/ or store solar power.

27. *Unbleached woven fabrics of a width 80 inches and above imported for manufacture of textile materials*

Woven fabrics made from unbleached yarn and which has not been bleached, dyed or printed of a width 80 inches and above provided that:

(a) the unbleached woven fabrics are imported by approved Textile Mills in a Partner State for exclusive use in the manufacture of finished fabrics;

(b) the imported unbleached woven fabrics shall be subject to customs control and such conditions as the Commissioner shall prescribe in accordance with this Act;

(c) the quantities imported shall be subject to such limitations as the Commissioner shall specify; and

(d) the exemption of import duty on unbleached woven fabrics of width 80 inches and above shall apply for two years from 1st March 2007.

28. *Items imported for use in licensed hospitals*

Any of the following goods engraved or printed or marked with the hospital logo imported for use in licenced hospitals, as recommended by the Director of Medical Services subject to such conditions and limitations as the Commissioner may impose:

(a) shadow less lamps for use in operating theatres

(b) blood freezers

(c) kitchenware and equipment

(d) laundry equipment

(e) mattresses and linen

(f) bedside screens

(g) air conditioners

(h) uniforms for use by hospital staff

(i) water heating equipment

(j) trolleys and stretchers

(k) furniture.

29. Motor vehicles specially designed for refuse/garbage collection and disposal imported or purchased by local authorities or persons contracted by the local authorities to collect refuse/garbage