

# Rwanda Enacts Comprehensive Transfer Pricing, Rules: What Multinationals Need to Know



Rwanda has had a limited formal transfer pricing legislation, and the new Ministerial Order No. 003/26/10/TC (the Order) aims to fill that gap by, aligning Rwanda with the OECD Guidelines and international best practice. Non-compliance now carries real risk of audit adjustments, double taxation and penalties.

The Order enters into force immediately upon publication and addresses three discrete but interconnected tax policy areas: transfer pricing (TP) rules for controlled transactions, a simplified accounting method for small businesses and rules governing the carry-forward of tax losses beyond five periods.

This article examines each area in detail, with particular focus on the provisions most relevant to multinational enterprises (MNEs), inbound investors and advisers operating in Rwanda.

## 1. Transfer Pricing

### 1.1. Scope of Application (Article 3)

The transfer pricing rules apply to controlled transactions or transactions deemed controlled, in any of the following scenarios:

- One party to the transaction is resident and taxable in Rwanda, while the other related party is located either within or outside Rwanda;
- A non-resident transacts directly or indirectly with a related non-resident, where the transaction relates to a permanent establishment of either party located in Rwanda;
- A Rwanda-resident transacts with a person located in a country or jurisdiction that Rwanda's tax administration classifies as a beneficial tax regime, regardless if those parties are related.
- A person in a beneficial tax regime jurisdiction transacts in relation to a PE of a Rwanda non-resident, regardless of the related-party relationship.

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### **1.2. The Beneficial Tax Regime Threshold (Article 2(a))**

Rwanda's transfer pricing rules to transactions involving persons located in jurisdictions regarded as providing a beneficial tax regime, even where the parties are not related. The threshold used in determining whether a jurisdiction constitutes a beneficial tax regime has been reduced from 20% to 15% meaning that some jurisdictions previously caught under the rate-based test may now fall outside it.

### **2. Transactions Subject to Transfer Pricing Scrutiny (Article 5)**

The Order provides a broad and open-ended list of transaction types subject to price adjustment. These include:

- Sale, purchase or transfer of goods, including for free;
- Sale, purchase, transfer, lease or use of tangible assets;
- Sale, purchase, transfer, licensing or use of intangible assets, including granting the right to use;
- Provision of services;
- Financing transactions, including long-term or short-term borrowing, lending, guarantees, purchase or sale of marketable securities, advances, deferred payments, receivables and any other debt arising in the course of business;
- Cost contribution arrangements (CCAs);
- Business restructurings or reorganizations between related persons, regardless of their effect on profits, income, losses or assets at the time of the transaction or in the future; and
- Any other transaction that may affect the profit or loss of the person concerned.

MNEs engaged in internal service arrangements, management fees, royalty payments, intercompany loans or group procurement arrangements should ensure those transactions are priced at arm's length and properly documented.

### **3. Arm's Length Methods (Articles 9-14)**

The Order adopts the five standard OECD-endorsed transfer pricing methods: comparable Uncontrolled price, Resale Price Method, Cost Plus Method, Transaction Net Margin Method and Transaction Profit Split Method.

Taxpayers may apply a method other than the five standard methods, but only with RRA approval. RRA must be satisfied that either no approved method can reasonably be applied, or that the alternative method produces a result consistent with an arm's length outcome.

### **4. Tested Party, Arm's Length Range and the Median Rule**

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When applying the CPM, RPM or TNMM, the taxpayer must select the tested party. That selection must be consistent with the functional analysis of the transaction. Where the most appropriate method is a one-sided method and the tested party is a foreign entity, the taxpayer must provide sufficient financial information to allow RRA to review the application of the method to the foreign tested party.

The arm's length range is the range of financial indicator values derived from applying the most appropriate TP method to a number of comparables, all of which must be equally comparable to the controlled transaction. Where comparability uncertainty exists, statistical methodology applies and the interquartile range is treated as the arm's length range.

If the financial indicator falls outside the arm's length range, the taxable profit is calculated using the median of the range. There is no option for RRA to adjust to any point within the range: it adjusts to the median. Taxpayers should therefore aim to price squarely within the interquartile range.

### **5. Documentation Requirements (Articles 17-20)**

The Order introduces a three-tier documentation structure mirroring the OECD BEPS Action 13 approach: a transfer pricing policy, a local file and a master file.

#### **5.1. Transfer Pricing Policy and Local File (Article 17(2))**

The local file must include at minimum the following:

- detailed functional and comparability analysis;
- explanation of allocation keys and the basis for their selection;
- local financial statements;
- disclosure of APAs or similar arrangements entered into in other jurisdictions; and
- retention of underlying third-party contracts and invoices where intermediary arrangements are used.

#### **5.2. Master File (Article 17(3)(a))**

The master file encompasses:

- The country-by-country (CbC) report where the ultimate parent of the taxpayer is required to prepare such a report.
- Copies of all material intercompany agreements.
- Contracts and invoices from third-party suppliers where goods or services are sourced through a related party.
- The controlled transactions schedule using the Annex 1 model form.
- Details of the allocation key selected for cost-sharing arrangements.
- Any other documentation necessary to determine arm's length compliance.

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The CbC report must be filed within 12 months of the last day of the reporting fiscal year of the MNE group. Rwanda-resident entities whose ultimate parent is required to file a CbC report must ensure that report is included in their documentation package.

Taxpayers with annual turnover below FRW 600,000,000 are exempt from the Article 17 documentation requirements, provided their controlled transactions individually fall below FRW 10,000,000 or their aggregate value is below FRW 100,000,000. Exempt taxpayers must still comply with the arm's length principle.

### **5.3. Submission Deadlines (Article 18)**

- The local file must be prepared before the income tax return deadline and submitted to RRA.
- The CbC report must be filed within 12 months after the last day of the MNE group's reporting fiscal year.

## **6. Intangible Property Transactions (Article 22)**

The Order gives special treatment to transactions involving intangible assets, consistent with OECD BEPS Action 8. When determining arm's length conditions for controlled transactions involving the exploitation of intangibles, the following factors must be considered:

- Functions performed by the related person in developing, enhancing, maintaining, protecting and exploiting the intangible.
- Management and control of those functions.
- Contribution of assets (including financial assets) by the related person.
- Risks assumed and the management and control of those risks.
- Financial capacity to assume the risks.

## **7. Intercompany Services (Article 21)**

A service fee between a taxpayer and a related person meets the arm's length standard only if all of the following conditions are satisfied:

- The fee is charged for a service that is actually rendered.
- The service provides, or was expected to provide, economic or commercial value to enhance the recipient's commercial position.
- The fee corresponds to what an independent person would pay, or the amount an independent person would agree to for comparable services in comparable circumstances.

Critically, the Order identifies three categories of costs that do not qualify as arm's length service fees:

- Costs or activities relating to the juridical structure of the parent company, such as shareholder meetings, share issuances and supervisory board costs.
- Costs or activities relating to parent company reporting requirements, including consolidation.
- Costs or activities related to raising funds for share acquisitions, unless those shares are directly or indirectly acquired by the related party and the acquisition benefits that party.

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### **8. Domestic Corresponding Adjustments (Article 23)**

Where RRA adjusts the taxable income of one party to a domestic controlled transaction, it may make a corresponding adjustment to the taxable income of the other party to the same transaction. This symmetrical adjustment mechanism prevents domestic double taxation when pricing corrections are made.

### **9. International Corresponding Adjustments (Article 24)**

For international transactions, corresponding adjustments are triggered when any of the following conditions are met:

- A foreign tax administration has made or proposed an adjustment to a transaction between a Rwanda resident and a related person.
- An adjustment by the foreign country results in taxation of income on which the Rwanda resident has already paid tax in Rwanda.
- The country making the adjustment has a tax treaty with Rwanda reflecting an intention to eliminate economic double taxation.

Upon written request by a Rwanda-resident taxpayer, RRA will examine the consistency of the foreign adjustment with the arm's length principle, consulting the competent authority of the other country as necessary. If the foreign adjustment is consistent with arm's length, RRA will make a corresponding adjustment to eliminate economic double taxation.

The request must include all information necessary for RRA to assess the foreign adjustment. Taxpayers facing foreign TP adjustments should immediately file a corresponding adjustment request in Rwanda to preserve their rights, noting that treaty mutual agreement procedure (MAP) timelines and domestic limitation periods may apply.

### **10. Advance Pricing Agreements (Articles 25-31)**

Any taxpayer that has entered into, or intends to enter into, a controlled transaction may apply for an advance pricing agreement (APA) with RRA. APAs provide certainty on the TP methodology that will be applied to covered transactions for the APA period.

Taxpayers with a minimum annual turnover of FRW 600,000,000 and minimum controlled transaction value of FRW 100,000,000 are eligible to apply for APAs by writing a written proposal submitted to the Commissioner via RRA's designated platform

A taxpayer who registered for corporate income tax in the same tax period may apply for an APA within that period, even without yet meeting the annual turnover threshold. This accommodates newly incorporated entities that expect to grow into significant controlled transaction volumes.

The standard APA period is 3 years and is renewable upon request. Taxpayers will be required to file an annual compliance report annually together with each income tax return for the covered period.

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RRA may reject an APA application where:

- The application is intended to evade or avoid tax.
- The taxpayer does not meet the application requirements set out in the Order.
- The taxpayer is currently under audit, investigation, administrative appeal or court proceedings on issues related to the covered controlled transactions.

An APA is treated as null and void as per Article 31 where:

- The taxpayer breaches the critical assumptions underlying the APA.
- A foreign tax authority under a Rwanda double tax treaty requests cancellation.
- Changes in domestic tax law or international conventions materially affect the APA.
- The taxpayer is involved in a tax evasion scheme (immediate effect on notification by RRA).
- The actual business situation and controlled transactions deviate from the facts and circumstances agreed in the APA.

APAs are the most effective tool for managing TP risk in Rwanda going forward. The FRW 6 million processing fee is modest relative to the cost of a TP audit adjustment. MNEs with significant Rwanda controlled transactions should evaluate APA candidacy as a priority compliance action for 2026.

### **11. Effective Date and Portal Implementation**

The Order takes effect on the date of its publication, April 29, 2026. RRA has three months from that date to establish the designated online portal for APA and other applications referenced in Article 27. MNEs should monitor RRA communications for the portal launch and ensure their compliance teams are registered and ready to submit.

### **12. Conclusion**

The Order marks a consequential development in Rwanda's international tax framework by moving a limited transfer pricing environment to a fully articulated, OECD-aligned regime covering the entire lifecycle of controlled transactions, from initial pricing and contemporaneous documentation through to advance pricing agreements, audit adjustments and double taxation elimination of double taxation.

The Order sits within Rwanda's broader ambition to position itself as a transparent, investment-grade jurisdiction that meets international standards on base erosion, profit shifting and exchange of information.

The Order adopts established OECD principles and methodology while tailoring specific thresholds and procedural rules to Rwanda's tax administration capacity and business environment

BDO Rwanda can help in:

- Transfer pricing documentation.
- Beneficial tax regime exposure review.
- Advance Pricing Agreement advisory and preparation.

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- Transfer pricing audit defences.

Get in Touch with BDO Rwanda if your business has controlled transactions in Rwanda or you are evaluating an investment into Rwanda for tax consultations.

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## Contact Us



[rwanda@bdo-ea.com](mailto:rwanda@bdo-ea.com)



+250 788309225/ +250738304070



Carrer Center 8<sup>th</sup> floor



Emmanuel Habineza

Managing Partner

[emmanuel.habineza@bdo-ea.com](mailto:emmanuel.habineza@bdo-ea.com)



Clement Niyitegeka

Risk Advisory Partner

[clement.niyitegeka@bdo-ea.com](mailto:clement.niyitegeka@bdo-ea.com)



Ernest Chirwa

Audit Partner

[ernest.chirwa@bdo-ea.com](mailto:ernest.chirwa@bdo-ea.com)

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Roy Nkandau  
Audit Partner  
roy.nkandau@bdo-ea.com



Marie Rosette Niwewarwego  
Tax & BSO Associate Partner  
rosette.niwewarwego@bdo-ea.com