

## JOINT PRESS RELEASE

### Civil Society Takes Rwanda to Court Over New Investment Promotion Code

*The Rwandan government is taken to court on the basis of violating the laws of the East African Community (EAC), having recently enacted a new Investment Promotion Code.*

**Nairobi, 10 August 2021** – The Tax Justice Network Africa (TJNA) and the East African Tax and Governance Network (EATGN) filed a case at the East African Court of Justice (EACJ) on 7 April 2021 challenging the enactment of a new Investment Promotion Code gazetted in February 2021 on the basis that it violates the East African Community (EAC) Treaty as well as other EAC laws. The Rwandan government has established the Kigali International Financial Centre (KIFC), which provides preferential treatment to investors through this law.

This is a novel case in which TJNA and EATGN will be asking the regional court to decide on the following important legal issues affecting Rwanda and the EAC region:

1. Whether the investment incentives provided under the Investment Promotion Code violate the EAC goal of setting up a Common Market and free movement of capital by excluding East African investors from benefitting from them through its definition of foreign investors.
2. Whether the low tax rates provided to entities registered under the KIFC will amount to the Rwandan government offering inappropriate state aid contrary to the principle of equitable distribution of benefits across the EAC.
3. Whether and to what extent the low tax rates provided by the Rwandan government exacerbate harmful tax competition and jeopardise fiscal harmonisation efforts in the EAC and jeopardise the realisation of a single investment area.
4. Whether the actions of the Rwandan government violate the socio-economic rights of East African residents by reducing the revenue available for socio-economic spending and exacerbating cross border illicit financial flows (IFFs) in the region, thus decreasing revenue available for social spending.

“This case intends to make the government reflect on the tax incentives it is offering investors and evaluate whether they do more harm than good to the socio-economic welfare of the region,” said Leonard Wanyama, EATGN coordinator. The case also seeks to stem the harmful tax competition in East Africa within the framework of EAC laws that require partner states to harmonise their taxes, including their tax incentives. “It is understandable that countries are looking inward in an effort to raise resources to help them manage these difficult circumstances. However, these steps could encourage a race to the bottom, thereby negatively affecting all their neighbouring countries’ efforts to raise resources in the long run,” said Chenai Mukumba, Policy Research and Advocacy Manager and Tax Justice Network Africa.

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