



# 2026/27 Rwanda Budget Brief

**Theme:** Deepening regional integration and economic resilience through improved regional security, domestic revenue mobilization and digital transformation of inclusive growth.”

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KPMG. Make the Difference

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# Economic performance

## Policy stance

The FY 2026/27 budget continues the gradual normalization of fiscal policy following recent geopolitical, macroeconomic, and climate-related shocks. It prioritizes strategic investments, including the New Kigali International Airport, and targeted interventions such as fertilizer subsidies to mitigate the impact of the ongoing conflict in the Middle East, while remaining committed to fiscal consolidation.

## Global highlights

- The global real Gross Domestic Product (GDP) grew at a rate of 3.4% in 2025 matching the growth recorded in 2024. However, the growth experienced in the last two years is under threat from the escalation of conflict in the Middle East which has led to closure of the Strait of Hormuz, a key passage of global oil supplies.
- OECD economies grew by 1.7% in 2025 maintaining a growth trajectory similar to the growth recorded in 2024, primarily driven by investment in technology and digital infrastructure.
- Emerging Markets and Developing Economies (EMDEs) grew by 4.4% in 2025 compared to 4.3% in 2024. The growth in EMDEs was supported by strong domestic demand coupled with easing financial conditions following monetary policy adjustments in advanced economies.
- For the year 2026, it is forecasted that the global economy will continue to stabilize and is projected to slow down to 3.1% and 3.2% in 2027 from an average of 3.4% in 2024 and 2025. The growth will be driven by private consumption and investments. However, while stable the growth is expected to be uneven across regions and countries.

- Global unemployment remained steady and unchanged at 4.9% in 2025 attributed to demographic shifts in high and upper-middle-income economies, where aging populations and slower labour force growth helped to stabilize the unemployment rate.
- Globally, inflation eased to 4.1% in 2025, an improvement from 5.8% in 2024. This is expected to ease to 3.8% in 2026 supported by softer labour market conditions and lower energy prices. This may however be slowed by exerted upward pressure on energy and food prices from the US-Israel-Iran conflict.

## Outlook risks

- Rising energy prices could slow global growth to 2.5% by 2026 and push inflation to 5.4%, while damage to energy infrastructure in conflict regions could further reduce growth to around 2% and raise inflation to above 6% by 2027;
- Emerging and developing economies are more likely to face a significant impact compared to advanced economies, and despite ongoing geopolitical escalations, downside risks remain dominant, with potential for worsening tensions, policy shifts, or domestic instability to trigger a major global energy crisis and intensify economic and political pressures.

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# Rwanda highlights

- Rwanda's growth momentum remained strong despite the challenging external environment and other factors. Real GDP growth accelerated to 9.4 percent in 2025, significantly exceeding the previous projection of 7 percent. The service sector recorded the largest share to GDP of 52 percent, followed by the other industries at 22 percent, and agriculture at 20 percent.
- Economic growth is projected to moderate to 6.8 percent in 2026, weighed by the effects of the Middle East conflict on commodity prices, trade and transport, and financial and tourism flows. The growth is expected to rebound to 7.2 percent in 2027 before returning to 7.0 percent in the medium-term.
- In 2025, inflation increased to 9.2 percent. Further, inflation is expected to increase to an average of 10.4 percent in 2026 due to weaker agricultural production caused by higher international energy and fertilizer prices.
- On the demand side, private consumption and investment are expected to be the main growth drivers, with the additional investment from New Kigali International Airport (NKIA) construction in the medium term as the fiscal consolidation continues. On the supply side, the services sector will continue to expand robustly, coupled with a continued good performance of the agricultural sector.
- The current account deficit is expected to widen in 2026, reaching FRW 2,599.5 billion from FRW 1,933.3 billion in 2025. This is mainly driven by higher expected imports associated with major planned projects in the construction sector, coupled with a decline in official transfers by 31.8 percent.
- The current account deficit is expected to widen in 2026 and improve in 2027 to FRW 2,379.4 billion despite the uncertainty in global geopolitical and macroeconomic conditions.

## Projected economic growth by sector

Growth in different sectors in 2025 is projected as follows:

- Agriculture sector performance is projected to grow by 3.7%, driven mainly by food crops and export crops such as coffee and tea.
- Industry sector performance is projected to grow by 11.5%, supported by strong growth in construction (15.1%), manufacturing (7.2%), and mining & quarrying (8.4%).
- Services sector performance is projected to grow by 6.1%, driven by information and communication (11.8%), financial services (7.5%), trade and transport (4.6%), and other service activities.

The industry sector is expected to be the fastest-growing sector in 2026, largely due to major infrastructure projects, including the New Kigali International Airport, while services remain the largest contributor to GDP, and agriculture continues to support food security and export earnings

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# The Budget 2026/2027

- The proposed budget for FY 2026/27 is estimated at FRW 7,796.3 billion, representing a 12 percent increase from the FRW 6,952.1 billion approved under the revised FY 2025/26 budget.
- The budget amount is made up of domestic revenues amounting to FRW 5,273.8 billion which is 67.64% of the total budget, comprising FRW 4,429.1 billion from tax revenue, FRW 548.3 billion from external grants and external loans of FRW 1,974.1 billion.
- The total expenditure for the fiscal year 2026/27 is projected to be FRW 7,796.3 billion, which has increased by FRW 844.2 billion compared to the revised budget for the fiscal year 2025/26 of FRW 6,952.1 billion.
- Recurrent expenditure for FY 2026/27 is projected at FRW 4,785.5 billion, representing an increase of FRW 775.2 billion compared to the FRW 4,010.3 billion allocated in the revised FY 2025/26 budget. A significant portion of this increase is attributable to compensation of employees, which is estimated at FRW 1,393.8 billion, up by FRW 226.6 billion.
- The other recurrent spending (recurrent non-wage) allocations also includes a spending amount of FRW 224.1 billion for Peace Keeping Operations in the fiscal year 2026/27, FRW 1,251.1 billion for debt service payments and increase in subsidies to Rwandair in response to the pressure from conflict in the Middle East.
- FRW 3,010.8 billion has been allocated to development spending for both foreign and domestically financed projects. Included in this amount is investments in various equity investment shares projected at FRW 474.2 billion to finance the ongoing construction of the New Kigali International Airport. In addition, funds for government policy lending is estimated at FRW 46.8 billion.
- Outlays under loans in the fiscal year 2026/27 are estimated at FRW 46.8 billion. This amount is made up of FRW 14.3 billion allocated to the Private Sector Support Facility (PSSF) and FRW 32.5 billion allocated to the payment of Kigali Convention Centre(KCC) loan.

# Resources and expenditures

Resources	Amount in billion
<b>Taxes Revenue</b>	<b>4,429.1</b>
Taxes on income, profits, and capital gains	1,844.9
Tax on Property	13.9
Taxes on goods and services	2,242.9
Taxes on international trade and transactions	327.3
<b>Other revenue</b>	<b>582.4</b>
<b>Acquisition of financial assets</b>	<b>123.6</b>
<b>Domestic Financing</b>	<b>138.8</b>
<b>External Grants Support</b>	<b>548.3</b>
Current	98.1
Capital Required	450.2
<b>Foreign Incurrence of liabilities</b>	<b>1,974.1</b>
Current	1,147
Capital	827.1
<b>Total Resources</b>	<b>7,796.3</b>

Spending	Amount in billion
<b>Expenses</b>	<b>4,664.7</b>
Compensation of employees	1,393.8
Use of goods and services	3,270.9
<b>Capital Spending</b>	<b>2,500.2</b>
Foreign financed	1,277.3
Other Domestically financed	1,222.9
<b>Equity and investment fund shares</b>	<b>474.2</b>
<b>Policy Lending</b>	<b>46.8</b>
<b>Other accounts payable</b>	<b>40.0</b>
<b>Increase in Deposits ( Infrastructure Levy and Strategic Reserves fuel levy)</b>	<b>70.4</b>
<b>Total Spending</b>	<b>7,796.3</b>

# Budget resource allocation

Policy priorities for the MTEF period are guided by Vision 2050 objectives and priorities embedded in the National Strategy for Transformation (NST2, 2024-2029), Presidential pledges and other strategic documents as follows:

**01 Economic Transformation Pillar**

**02 Social Transformation Pillar**

**03 Transformational Governance Pillar**

NST Pillar/NST Sector	Allocation in billion (FRW)	Percentage
1. Economic Transformation Pillar	4,900.9	62.9%
2. Social Transformation Pillar	1,711.3	21.9%
3. Transformational Governance Pillar	1,184.0	15.2%



# Revenue Measures and Tax Administration Reforms for FY2026/27

The Government has outlined a package of revenue administration measures aimed at ensuring the projected tax targets are met:

## Key actions include:

### VAT compliance

Reinforcing tax administration efforts to reduce the VAT compliance gap, with enhanced use of electronic billing machines (EBMs) across businesses to improve compliance and reduce leakage.

### Customs and import administration

Improving import valuation and classification to address under-reporting at customs. The plan includes a gradual alignment with the EAC Common External Tariff and the restoration of tariff rates on selected imports consistent with regional commitments.

### Climate budget tagging

The Government will strengthen climate-responsive planning and resource allocation through the continued application of green and brown budget tagging. Green tagging tracks expenditures that contribute positively to climate resilience and low-carbon development, whilst brown tagging identifies budget lines with potential negative environmental or climate impacts — such as fossil fuels and fertilizer-related expenditures — guiding the shift toward sustainable alternatives.

### Medium-Term Revenue Strategy (MTRS)

The increase in the tax revenue projection reflects the effect of tax measures being implemented under the Medium-Term Revenue Strategy I (MTRS I), including the broadening of the tax base through expanded VAT coverage (notably on ICT, fuel, and online goods and services), the introduction of new taxes on the digital economy and tourism, upward adjustments to selected excise and income tax rates such as capital gains and gaming taxes from last budget year, the rationalization of tax exemptions, and strengthened tax administration and compliance measures. All these are expected to strengthen revenue performance across all major tax heads over the medium term.

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# Revenue Measures and Tax Administration Reforms for FY2026/27



Reforms will include using external grants and loans strategically where the grants are projected at around FRW 548.3 billion, with emphasis on capital grants for priority projects and external loans of about FRW 1,974.1 billion which mainly will finance the New Kigali International Airport) and this will be aligned with NST2 priorities.



## Expenditure rationalization and efficiency

Measures taken by the government include reprioritizing and screening investment projects to focus only on high impact, priority programs and moderating capital expenditure growth, particularly foreign financed projects, while protecting strategic investments.

## External resource mobilization and debt management

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The strategy for debt management will focus on maximizing concessional borrowing and limiting expensive, non concessional debt and prioritizing fixed rate instruments and lengthening maturities and deepening the domestic debt market and supporting export growth and external buffers to manage debt vulnerabilities.

## Financial sector and payment systems reforms

Consolidate Umurenge SACCOs into district-level SACCOs and establish a Cooperative Bank, while expanding digital financial services and interoperable payment systems to promote financial inclusion, support a cashless economy, improve revenue collection, and reduce transaction costs.

## Risk management, governance, and monitoring

This will entail continuously monitor domestic and global risks (such as growth slowdown, commodity price shocks, climate events, and regional conflicts) and remain ready to adjust policies as needed.

Other measures include implementing governance and regulatory reforms to protect the budget by strengthening Anti-Money Laundering and Counter Terrorism Financing (AML/CTF), improving financial intelligence and oversight, tightening public procurement systems, and regularly reviewing fiscal performance to ensure adherence to targets and make timely adjustments.

# Tax administration reforms for FY2026/27

Following the changes proposed in Rwanda's 2025/2026 Budget to encourage electric vehicles, protect the environment, support industry, and promote locally made products, the Government has introduced new ministerial orders to continually monitor the taxation of online supplies of goods and services, as well as transfer pricing.

## 01 Ministerial Order relating to value added tax on goods and services provided online

To broaden the VAT tax base and improve modalities for taxation of VAT, the following measures have been put in place :

- Modalities for taxation of VAT on goods and services provided online.
- Imposes obligations on both domestic and foreign providers; non-residents must register or appoint a local VAT representative
- The procedures for adjustments of VAT and the contents of the document cancelling invoice.
- VAT exemption for industrial machinery, capital goods and raw materials.
- Provides clarity on what is an industry (processing, assembling, mining/quarrying) and that types of goods can be exempted from VAT.

## 02 Ministerial Order relating to transfer pricing, Simplified Accounting & Loss Carry-forward

Ministerial Order No. 003/26/10/TC of 29 April 2026, which significantly broadens the regulatory framework

- The 2026 Order explicitly introduces transfer pricing rules, requiring all related-party transactions on industrial equipment, raw materials and capital goods to be at arm's length and properly documented.
- The tax administration is empowered to adjust non-arm's-length prices, impose penalties and even deny or withdraw tax exemptions where TP rules are not complied with.
- A formal APA regime is created, allowing taxpayers to agree in advance with the tax administration on TP methods and margins, providing certainty and protection from TP disputes for covered transactions.
- Introduces a simplified accounting method for use by small businesses.



## Contact us:



### Wilson Kaindi

Managing Partner  
KPMG Rwanda  
Tel: +250 78 817 5700  
M: +250 78 0091917  
Email: [kaindi@kpmg.com](mailto:kaindi@kpmg.com)



### Peter Kinuthia

Partner  
Tax and Regulatory Services  
KPMG East Africa  
M: +254 731 001 065  
E: [pkinuthia@kpmg.co.ke](mailto:pkinuthia@kpmg.co.ke)



### Joel Namanya

Manager  
Tax and Regulatory Services  
KPMG Rwanda  
Tel: +250 78 817 5700  
M: 250 78 831 9843  
E: [jnamanya@kpmg.com](mailto:jnamanya@kpmg.com)

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



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