This booklet has been designed to provide you with all key information you need to know regarding the new law relating to companies. It contains information on the registration process, online registration, the different costs, the obligations and rights of the company shareholders and directors and many more that we deem important for your smooth business operation.

Please note that this booklet provides a simple guide to the law relating to companies and only refers to the key concepts. It is not an exhaustive text on the law and should you require detailed information on the law that is not covered here, please visit the Office of the Registrar General at RDB offices or email us @.................. You may also refer to the law itself; Law no. 07/2009 of 27/04/2009 relating to companies; and Law no. 14/2010 of 07/05/2010 modifying and complementing law no. 07/2009 of 27/04.2009 relating to companies.

We trust that you will find this guide useful and assure you of our continued commitment to providing you with information on the laws and regulations that affect your business.

Louise Kanyonga
Registrar General
What is a company?
A company is a legal entity which is made up of at least one physical person, or one corporate person, for the purposes of doing business. A company shall have a separate legal personality from its shareholders.

What is a subsidiary company?
A company shall be considered a subsidiary of another company (referred to as the Parent Company) where the parent company, among others:

- Controls the board of the company
- Controls more than half the number of shares with voting rights
- Holds more than half the number of issued shares minus those shares giving right to profits or capital of the company;

What is a company branch?
A company branch is simply a different (physical) location for the same company.

How are companies categorized in Rwanda?
Companies are categorized under two broad categories- private and public companies.
A private company restricts the right to transfer its shares and debentures; limits the number of its shareholders to one hundred; and also prohibits any invitation to the public to subscribe for any shares or debentures of the company. If a company has only one shareholder, it is presumed to be a private company.

Public companies refer to entities that have offered shares to the public through an initial public offer and its securities have been listed in one or more stock exchanges. This is also different from government owned firms.

**What are the characteristics of a public company?**

As a starting point, every company is assumed to be public company unless it is stated in its application for incorporation that it is a private company. A public company generally can be subscribed to by members of the public and there is no limit to the number of shareholders that a public company may have.

**What are the characteristics of a private company?**

A private company is limited to having a maximum of one hundred shareholders and a prohibition to inviting the public to subscribe for shares or debentures. Furthermore, there are some restrictions on the right of shareholders to transfer their shares.

It is presumed that a company with one single shareholder is a private company.

**What is the difference between a company and a cooperative?**

The difference between a company and a cooperative is as explained in the table below:

<table>
<thead>
<tr>
<th>Company</th>
<th>Cooperative</th>
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<tr>
<td>The primary objective of a company is to earn profits.</td>
<td>The primary objective of a cooperative society is to provide a service.</td>
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<tr>
<td>The liability of members of a company is generally limited to the face value of shares held.</td>
<td>The members of a cooperative society can opt for unlimited liability. But in practice their liability is generally limited.</td>
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<td>Membership closes as soon as its capital is fully subscribed. People who want to become members later on have to buy shares at the stock exchange.</td>
<td>The membership of a cooperative society is open at all times and new members have to pay the same amount per share as old ones have paid.</td>
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<td>In a company, the number of votes depends upon the number of shares and proxies held by a member.</td>
<td>The management of a cooperative society is democratic as each member has one vote and there is no system of proxy.</td>
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<td>The profits of a company are distributed as dividends in proportion to the capital contributed by the shareholders.</td>
<td>In a cooperative society a minimum part of surplus must be set aside as a reserve and for the general welfare of the public. The rest is distributed in accordance with the patronage provided by different members after paying dividend up to 10 per cent on capital.</td>
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<td>The shares of a public limited company are freely transferable and shareholder cannot demand back his capital from the company until it’s winding up.</td>
<td>The shares of cooperative society cannot be transferred but can be returned to the society in case a member wants to withdraw his membership.</td>
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<td>In a company members have no relationship and are usually drawn from different parts of the country and even from abroad or even different professions.</td>
<td>A cooperative society generally draws its membership from a limited local area. The members have common bond in the form of a common occupation or employer or locality.</td>
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How is a company incorporated in Rwanda?

A company is incorporated once it has been registered by the Office of the Registrar General. Any person intending to open a business must apply for registration under this law.

A business may be started by one or more individuals, or a corporate person(s) for commercial or business purposes.

How long does Company Registration take?

After all the required documents have been correctly filled and all fees paid, and the Registrar General confirms that all the legal requirements have been met, a Certificate of Incorporation is issued by the office within six (6) hours. After registration is complete the company comes into existence and may start operating.

Can I register my business on-line?

Yes, you can register your business online at www.org.rdb.rw. The on-line registration can be completed in four simple steps:

Step 1: Request and obtain an e-signature at www.org.rdb.rw

Step 2: Fill and submit an on-line application form and submit required documents as attachments

Step 3: Obtain an electronic copy of the registration certificate- this is sent on your email.

Step 4: Obtain hard copy of the registration certificate- this is picked physically from RDB.

For further details on the requirements under each of these steps please log on to http://rwanda.e-regulations.org. Also note that currently, the on-line business registration is done for free.

What is needed to register a company in Rwanda?

For information on the requirements needed for the registration of a company, as well as the steps of registration, visit the following website which is updated from time to time: http://rwanda.e-regulations.org. This website also contains information regarding all registration requirements specific to a foreign company and the costs for registration.
Do you have to register for a Tax and Social Security registration number separately?

The company registration system acts as a single electronic window through which all these three services are electronically done. Once registration is complete, the company is given a unique identification number which acts as the Registration Code, the TIN number, and the social security number.

However, it is necessary to register for the different taxes like VAT and PAYE at Rwanda Revenue Authority and also register employees with Rwanda Social Security Board.

Can you make changes to your company after registration?

You may make any changes to your company but all changes must be filed with the Office of the Registrar General. All companies are also required to submit an annual return to the Registrar General which shows all the company information as it stands at the end of the year.

If there are any changes to the company, these changes must be indicated on the annual report.

What are the requirements for making changes to the company after registration?

Different changes to the company activities have various requirements. Please visit http://rwanda.e-regulations.org for the complete updated list of requirements needed to make changes to a company after registration.

Must a company have a memorandum of association?

Yes, every company must have a memorandum of association. The Registrar General’s office provides a form of the memorandum of association and companies are not obliged under the law to draft their own memorandum of association.

The memorandum of association (whether form that is provided by the RG or one that is drafted by the company), shall at least state the following:

- The name of the company
- The address of the head office of the company
- Particulars of any business to be conducted

A memorandum of association for a company limited by guarantee shall indicate that liability is limited and that every member shall undertake to contribute to the assets of the company in the event of its being wound up.

Where a company has a share capital i.e. not limited by guarantee, the memorandum of association shall state the amount of share capital, the number of shares making up the share capital (except where the company is an unlimited company) and the full names and the number of shares of every shareholder.
SHARES IN A COMPANY:

What is a share?
A share is simply a divided-up unit of the value of a company. While owning shares in a business does not mean that the shareholder has direct control over the business's day-to-day operations, being a shareholder does entitle the holder to an equal distribution in any profits, if any are declared in the form of dividends.

What are the different types of shares?
There are different share types that may be specified by a company. These include:

- Ordinary shares
- Shares that are redeemable
- Shares that confer in terms of voting
- Shares that confer preferential rights in terms of distribution of share capital or income/dividends
- Shares that don't confer any voting rights

What proves that I am a shareholder in a company?
Every shareholder shall be issued with a share certificate, signed by the authorized member of the board, stating the number of shares owned by the shareholder, and their value.

The share certificate shall take the format that is prescribed by the Registrar General’s office. Every company shall keep, at its registered head office in Rwanda, a share register which shall have a complete record of all the shares and their holders.

What are the obligations of shareholders?
Every shareholder has the following rights and obligations:

- The right to vote as per his/her shareholding
- The right to receive notices about and from the company
- The right to receive dividend in respect of his/her shares
- All other rights and powers attaching to his/her shares

The above mentioned rights and other rights and powers may be exercised at a meeting of shareholders, by a written resolution of shareholders, by a unanimous resolution or by a unanimous shareholders agreement.
What are the liabilities of the Board of Directors?

Board members must be free to act in the interest of the shareholders in order to run the corporation in the best way they see fit and to take appropriate risks to help the company grow. Boards do need to be concerned about liability. Specifically, boards have liability in several areas:

- **Duty of care**: Boards have a duty of care to act in the best interest of the shareholders
- **Duty of Loyalty**: Boards have a duty to avoid potential and actual conflicts of interest.

To what extent is a shareholder liable?

The liability of a shareholder is limited to:

- Any amount unpaid on a share held by that shareholder
- Any liability to repay a bonus received by the shareholder
- Any liability expressly provided for in the constitution of the company

**BOARD OF DIRECTORS:**

What is a company Board of Directors?

The Board of Directors is the highest governing authority within the management structure at any publicly traded company. The business and affairs of a company is managed by, or under the supervision of the Board of Directors. They have all the powers necessary for managing, and for directing and supervising the management of the business and affairs of the company.

What is the role and responsibilities of a company’s board?

The primary responsibility of the board of directors is to protect the shareholders’ assets and ensure they receive a decent return on their investment. The board is also responsible for overseeing the operations and management of the company besides approving the appointment of the Chief Executive Officer and the amount of dividends to be paid to shareholders amongst others.
Personal vs. Corporate Assets: Boards have a duty to avoid intermingling corporate and personal assets.

There are liabilities for a director who commits a breach of duty in reference to the above areas. A person who commits such a breach is liable to compensate the company for any loss it suffers as a result of the breach as well as account to the company for any profit made as a result of such a breach.

Who appoints members of the Board of Directors?
Members of the Board of Directors are appointed by the annual meeting of the shareholders. Any shareholder on whom the articles of association of a company confer powers to exercise activities of the Board of Directors shall be considered as one of members of the Board of Directors.

How is a board member removed from office?
A director of a public limited company may be removed by an ordinary resolution whereas a director of a private limited company may be removed from office by a special resolution undertaken by the shareholders.

Is a member of the Board of Directors required to declare his interests?
Yes, a director of a public company who acquires or disposes of a relevant interest in shares issued by the company is required to disclose to the board, after the acquisition or disposition. The following information should be declared:

- The number and class of shares in which the relevant interest has been acquired
- The nature of the relevant interest
- The consideration paid or received
- The date of the acquisition or disposition

What happens when a director knowingly submits a false document?
Notwithstanding the provisions of the penal code, any director or employee of a company who knowingly makes or submits, or authorizes the making or submitting of, a false or misleading statement or report with regard to:

- A director, employee, inspector, shareholder, debenture holder or trustee for debenture holders of the company;
- A liquidator, liquidation committee, or receiver or manager of property of the company;
- Where the company is a subsidiary, a director, employee or inspector of its holding company;
■ A stock exchange or an officer of a stock exchange.

Such a person commits an offence and shall be liable to a fine of between one million francs and ten million francs.

What are some of the general administrative requirements of a company?

Every company shall always have a registered office in Rwanda to which all communications and notices may be addressed including service of legal proceedings on the company. The Board of Directors may at any time change the registered office of a Company and such change shall be notified to the Registrar General for registration.

The following records are expected to be kept at a company’s registered offices:

■ The articles of association
■ Minutes of all meetings and resolutions of shareholders within the last ten (10) years;
■ An interests register for directors;
■ Minutes of all the meetings and resolutions of directors and directors’ committees within the last ten (10) years;
■ Certificates given by directors under this law within the last ten (10) years;
■ Full names and addresses of the current directors;
■ Copies of all written communications to all shareholders during the last ten (10) years including annual reports;
■ Copies of all financial statement for the last ten (10) years completed accounting periods;

■ The accounting records for the last ten (10) years;
■ The shares register.

Every director of a company shall be entitled, upon giving reasonable notice, to inspect the records of the company.

What is a dormant company?

A company is considered to be dormant for any period when no significant accounting transaction takes place within the company. A company may only be made dormant by a special resolution passed by its shareholders declaring it as such.

What is amalgamation?

Amalgamation is where two or more companies combine or merge into one company and continues to operate as one amalgamated company (whether as a new company or as one of the old amalgamated companies).
In order for the companies to merge however, the Board of Directors of each (separate) amalgamated company must pass a resolution stating that in its opinion the amalgamation is in the best interest of the company and its satisfied that the amalgamated company shall immediately satisfy the solvency test. Such amalgamation must be filed and registered with the Registrar General in order for it to be effective.

What happens to the property, rights, powers, privileges, liabilities and obligations of the amalgamated company?
The property, rights, powers, privileges, liabilities and obligations of each of the amalgamated companies shall continue to be the property, rights, powers, privileges, liabilities and obligations of the (new) amalgamated company.

The amalgamation does not do away with any proceedings that are already pending against either of the entities, but rather, all pending proceedings by or against an amalgamating company shall be continued by or against the amalgamated company.

Are there penalties for a company that fails to comply with this law?
Yes, there are penalties provided for in the law. A company which fails to comply with this law for example operating without getting registered in the relevant register of companies shall be liable to a fine of as twice as the registration fee.

Other penalties provided for in the law include the following:

- A company which fails to keep the books required under this law shall be liable to a fine of as twice as the business registration fee.
- Any company which fails or delays to provide the Registrar General with the documents that are required by this law shall be liable to a fine of as twice as the business registration fee.
- Notwithstanding the provisions of the penal code, any person who knowingly is a party to a company carrying on business with intent to defraud creditors of the company or any other person, commits an offence and shall be liable to a fine of between one million and ten million francs.

What are some of the filing obligations under the companies Act?
There are various filing obligations under the act, some of which are:

- Where a company has altered its share capital, within fifteen (15) days of such alteration, file a notice of the same with the Registrar General.
- Where a company has provided a security over any of its properties, within thirty (30) days after provision of such security has been provided, file a statement of such security with the Registrar General.
- Within thirty (30) days after the financial statements of a company are required to be signed, file with the RG together with a copy of the auditor’s report.
- Where there is a change or replacement of a director, or a change of address of a director, within thirty (30) days of such change file with the RG’s office about the same.
- Where a company opens a register of shares, within fifteen (15) days of the date of opening the register, file with the RG a notice specifying where the register is kept.
- Where a foreign company ceases to carry on business in Rwanda, within seven (7) days of such cessation, file with the RG a notice to that effect.
- Where a company has passed a special resolution declaring itself dormant, within fifteen (15) days give notice to the RG of the same.

The above list is not an exhaustive list of all the filing requirements under the Act and companies are expected to keep updated on the full filing requirements.
Conclusion:

The new law requires that all existing companies before it comes into force re-register (applicable to those that had registered in or before 27/04/2009) in accordance with the new provisions. Conducting business formally has several benefits that include amongst others, the opportunity to access business financing and thus being able to grow your business.

The law also provides for a number of penalties for the companies, directors and officers who do not comply with this law. It is therefore necessary that you read and understand some of these obligations especially after completion of the registration process.