

www.pwc.com/rw/en

Global Mobility Services: Taxation of International Assignees - Rwanda

*Taxation issues
& related
matters for
employers &
employees 2018*



pwc

Last Updated: June 2018

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Country: Rwanda

Introduction:	International assignees working in Rwanda	4
Step 1:	Understanding basic principles	5
Step 2:	Understanding the Rwanda tax system	7
Step 3:	What to do before you arrive in Rwanda	11
Step 4:	What to do when you arrive in Rwanda	15
Step 5:	What to do at the end of the tax year	16
Step 6:	What to do when you leave Rwanda	17
Appendix A:	Rates of tax	18
Appendix B:	Calculation of taxable income	19
Appendix C:	Double-taxation agreements	20
Appendix D:	Social security agreements	21
Appendix E:	Rwanda contacts and offices	22

Additional Country Folios can be located at the following website:
Global Mobility Country Guides

Introduction:

International assignees working in Rwanda

PwC is the world's leading provider of professional services. The People and Organisation group works together with its clients to find solutions for the challenges they encounter when transferring people from one country to another.

This brochure is intended to inform foreign nationals and their employers about tax, social security and immigration issues in Rwanda.

This guide is not exhaustive and cannot be regarded as a substitute for professional advice addressing individual circumstances. Nevertheless, answers will be found to most of the questions raised by an expatriate or his/her employer. More detailed advice should be sought before any specific decisions are made about these issues.

More information can be obtained from our PwC Rwanda offices specializing in People and Organisation, Global Mobility (see Appendices).

Step 1:

Understanding basic principles

The scope of taxation in Rwanda

1. A foreign national working in Rwanda will, in general, become liable to Rwanda tax. The main taxes are:
 - PAYE (Pay As You Earn) on employment income;
 - Withholding tax on dividends;
 - Withholding tax on interest;
 - Social security contributions

The tax year

2. The Rwanda tax year runs from January 1st to December 31st.

Partners

Partners of expatriate employees are independently liable to Rwanda tax on their (employment) income sourced in Rwanda.



Determination of residence

3. Under Rwanda tax law, an individual's place of residence for tax purposes depends upon all facts and circumstances applicable to the personal situation. These facts and circumstances are used to determine where the center of an individual's personal and economic life is located. If the center of the individual's personal and economic life is located in Rwanda, he or she is considered to be a resident of Rwanda for tax purposes.

The most important criteria in this respect are as follows:

- Where a permanent home is maintained;
 - Where employment duties are performed;
 - Where the individual normally stays;
 - The intended length of stay in Rwanda.
4. An individual is considered to be resident in Rwanda for tax purposes if that individual:
- has a permanent residence in Rwanda;
 - has a habitual abode in Rwanda;
 - is a Rwandan representing Rwanda abroad;

In addition, an individual who stays in Rwanda for more than 183 days in any 12 month period, either continuously or intermittently is considered to be resident in Rwanda for the tax period in which the 12 month period ends.



Step 2:

Understanding the Rwanda tax system

Taxation of resident individuals

Taxable income

5. Residents of Rwanda are subject to Rwanda tax on their world-wide income.
6. With few exceptions, income must be recognized
 - at the time it is received or offset,
 - is put at the disposal of the individual,
 - begins bearing interest or
 - is collectible and receivable.

Appendix B contains an overview of how taxable income is calculated.

Employment income

7. Employment income includes all payments made to an employee by his/her employer in cash or in kind in relation to the work performed.
8. Employment income includes:
 - i. wages, salary, leave pay, sick pay and medical allowance,

- ii. payment in lieu of leave for an employee who stops working before benefiting from his/her annual leave, sitting allowances, commissions, bonuses and gratuity;,,
- ii. allowances relating to the cost of living, subsistence allowances, housing allowances, and entertainment or travel allowances;
- iii. Any discharge or reimbursement of expenses incurred by the employee or an associate;
- iv. payments to the employee working in exceptional conditions of employment;
- v. payments for redundancy or loss or termination of contract;
- vi. Pension payments;
- vii. other payments made in respect of current, previous or future employment.

Benefits in kind valuation

Benefits in kind received by an employee are included in taxable employment income in

consideration of market value as follows:

- Company motor vehicle (with or without a driver)- 10% of the person's total cash emoluments;
- Company-owned housing - 20% of the person's total cash emoluments;
- Other benefits- Open market value of the benefit
- Loan interest benefit including advance on a salary exceeding a three (3) months' salary given to an employee-The difference between:
 - deemed interest calculated at the rate of interest offered to commercial banks by the National Bank of Rwanda; and
 - the actual interest paid by the employee in that month.
- Actual amount of rent of house or motor vehicle directly paid by an employer for an employee.

Tax credit

9. If a person who is a tax resident in Rwanda generates income from business activities performed abroad, the income tax payable by that person in respect of that income is reduced by the amount of foreign tax payable on that income. The credit is allowed where there is appropriate evidence such as tax declaration, a withholding tax certificate or any other similar acceptable document.

Social security and pensions

10. The Government established a national pension scheme referred to as Rwanda Social Security Board (RSSB) to provide social security services to employees in Rwanda. RSSB requires all salaried workers in Rwanda, both nationals and foreigners, to contribute to the scheme.
11. The employer is required to contribute 3% of the employee's gross salary to the pension scheme, whilst the employee's contribution is 3%. The employer is further required to contribute a further 2% of the employee's gross salary towards a mandatory occupational hazards scheme.
12. Gross salary means total remuneration received by the employee including allowances, bonuses, commissions and all other cash benefits as well as any fringe benefits, but excludes

reimbursement of business expenses.

13. The employer is required to deduct social security contribution from employees every month. The social security contribution is remitted to RSSB by 15th of the following month. The social security contributions is collected by Rwanda Revenue Authority (RRA) on behalf of RSSB.
14. All remittances made after the deadline attract a surcharge of 1.5% per month (or fraction of month of delay). In addition the employer must pay a fine of 1.5% per quarter for all late declarations.
15. Contributions to RSSB are not accessible until one attains retirement age.

Maternity leave benefits scheme

16. The Rwandan Government introduced a new law (*Law n°003/2016 of 30/03/2016*) to govern maternity leave benefits. The Law became operational with effect from November 2016. The law requires all employers and employees to contribute towards a maternity fund. The fund is administered by the Rwanda Social Security Board ("RSSB").
17. The new law provides relief for new mothers throughout the 12 week maternity leave minimum. The Law affects international and national organisations operating in Rwanda. The employer is

responsible for collecting and remitting the contributions to the RSSB. The Contribution base for maternity benefits is generally similar to that for social security.

18. The total contribution for maternity leave benefits is 0.6% of the contribution base. The employer and the employee are each required to contribute **0.3%**. The employer is required to declare and remit the collected contribution to the RSSB by 15th of every month following the month of contribution.
19. Employers are required to continue making salary payments to the beneficiaries and claim the last six weeks' pay starting from the seventh week of the maternity leave.

Wage withholding tax

20. Employment income is generally subject to PAYE (Pay As You Earn) which is a form of tax withholding. The obligation to withhold PAYE and remit to RRA is upon the employer.

Taxation of non-resident individuals

Taxable income

21. A non-resident individual is liable to tax at the withholding tax rate of 15% on any income derived in Rwanda save for employment income. The obligation to deduct the withholding tax is upon the person making the payment to the non-resident individual.

Employment income

22. Under Rwanda tax law, all income derived by non-residents from employment duties physically performed in Rwanda is in principle subject to Rwanda income tax. However, the employment income is exempted from Rwanda taxation if the following three cumulative conditions are met:

- a foreigner who represents his/her country in Rwanda;
- any other individual employed in any Embassy, Legation, Consulate or Mission of a foreign state performing State affairs, who is a national of that State and who owns a diplomatic passport;
- a non-citizen individual employed by an international organization that has signed an agreement with the Government of Rwanda in accordance with Rwandan laws.

Non-taxable/ exempt income

23. The following benefits are not taxable:

- a. the discharge or reimbursement of expenses incurred by the employee;

- b. contributions made by the employer for the employee to the public institution in charge of social security;
- c. pension payments made from the public institution in charge of social security or from a qualified pension fund;
- d. employment income received by an employee who is not a citizen of Rwanda from a foreign government or a non-governmental organization under an agreement signed by the Government of Rwanda where the income is received for performance of aid services in Rwanda;
- e. Employment income received from an employer who is not a resident in Rwanda by a non-resident individual for performance of services in Rwanda, unless such services are related to a permanent establishment of the employer in Rwanda.



Step 3:

What to do before you arrive in Rwanda

Immigration formalities in Rwanda

24. A Rwanda immigration procedure must be started for foreign nationals who want to reside and/or work in Rwanda. In general, a Rwandan employer needs to obtain a work permit to arrange legal employment in Rwanda. Depending on the nationality and duration of intended stay, an entry visa and/or residence permit are/is required.
25. Nationals of Australia, Germany, Israel, New Zealand, Republic of South Africa, Sweden, United Kingdom and United States of America, shall get entry visa and pay visa fee upon arrival at any Rwanda entry point without prior application. The entry visa fee is 30USD, valid for a period up to 30 days. Nationals of the mentioned countries may also choose to get visa at Rwanda Diplomatic Missions or online. East African Partner states citizens are issued with 6 months visitors pass (renewable) at entry points with no fee. Nationals of Singapore, Hong Kong and Philippines are exempted from entry visa for a stay of up to 90 days. Nationals of

African countries not exempted from the visa fee shall continue getting entry visas at the Rwandan entry points. Nationals not mentioned above, shall get visa upon application before travelling and pay a prescribed fee.

Application for a work permit

26. All employers who hire a foreign employee must obtain a work permit for him/her from the first day he/she will work in Rwanda (see 'Penalties attached).

Types of visa and fees

27. Class H: Specific employment by specific employer H1: Skilled worker on Demand: 100,000 Rwf H2: Employer Sponsored: 100,000 Rwf H3: Journalist and Foreign Media Representative: 100,000 Rwf H4: Semi-skilled worker or artisan from the region: 20.000 Rwf. H5: Foreign staff in an International and regional organization: Free. Class M: dependant pass M1: Dependant of a Rwandan: Free M2: Dependant of a temporary resident: Half of the principal applicant M3: close relative or any other person who may be considered as a family member of a holder of

permanent residence permit: Half of the principal applicant. Class N: Student Pass, Occupational trainee N1: student: 10,000 Rwf N2: Occupational trainee: 50,000 Rwf

28. The spouse/partner can also work in Rwanda if the employee holds a highly skilled migrant permit. The partner/spouse can obtain a dependent highly skilled migrant permit which allows employment without a separate work permit

Highly Skilled Migrant work permit procedure

29. To the applicants applying for residence permit, grace period is 15 days upon arrival in the country. After that period, penalties will be applied immediately as stipulated by the law.
30. Requirements for a work permit
 - One colored passport size photo with white background recently taken without glasses, caps and scarf. The photo should be attached to the application form by use of glue stick. Stapling and clipping the photo

- to the application form is not advisable
- A completed application form
 - An application letter addressed to the Director General of Immigration and Emigration by the employer.
 - Signed Curriculum Vitae
 - Original Police Clearance from the country you have lived in for the last 6 months
 - Notified diploma/degree
 - Employment contract
 - Applicant should also submit copy of NGO/INGO certificate, company RDB certificate copy as one of requirements
 - For a dependant pass an original copy of the married certificate and original police certificate will be required
 - For children original copies of birth certificates or certificate of guardianship will be required.

Penalties

1° Overstay from six (6) days to fifteen (15) days shall be liable to the penalty of twenty thousand Rwandan francs (20.000 Rwf);

2° Overstay from sixteen (16) days to thirty (30) days shall be liable to the penalty of fifty thousand Rwandan francs (50.000 Rwf);

3° Overstay from thirty one (31) days to three (3) months shall be liable to the penalty of one hundred thousand Rwandan francs (100.000 Rwf);

4° Overstay above three (3) months to six (6) months shall be liable to the penalty of two hundred thousand Rwandan francs (200.000 Rwf);

5° Overstay above six (6) months to nine (9) months shall be liable to the penalty of three hundred thousand Rwandan francs (300.000 Rwf);

6° Overstay from nine (9) months and above shall be liable to the penalty of five hundred thousand (500.000 Rwf).

Timing of arrival

31. To minimize the tax burden, if possible, the arrival date should be discussed with a tax adviser. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after arrival.

Importing personal possessions

32. Before arriving in Rwanda, bear in mind that importing certain items may be prohibited or restricted. This not only includes the more obvious items such as firearms and drugs but also certain meat and poultry products, fish, plants and animals. Certain articles made from protected species are also prohibited.
33. When arriving in Rwanda, one needs to formally declare to customs anything being imported, apart from goods covered by duty- and tax free allowances. This applies even to goods on which duty tax relief can be claimed. "Importing" in this context means bringing in goods from outside Rwanda. We recommend that a shipping agent is employed who will ensure that all customs paperwork is completed. To speed up customs clearance, we recommend that customs authorization is applied for in advance. A packing list is also useful so that customs can see at a glance which goods are to be imported. Cars will

34. have to be declared separately.
34. The import of a car into Rwanda is not exempt from customs duty, value-added tax or motor vehicle tax, tax is due at the appropriate rate. Upon registration of the vehicle, a special car registration tax will be due under the Private Motor Vehicle and Motorcycle Tax Act.



Step 4:

What to do when you arrive in Rwanda

Application for a residence permit

35. This can only be applied for when you arrive in Rwanda.

Separate application for family members

36. If the family members arrive at the same time as the employee, applications should be logged in at the same time.

Penalties for non-compliance

37. Please note that, until the Rwanda Immigrations Authority has issued the application for the work permit, the employee is not allowed to work.

Work permit procedure

38. In general, it takes 4 to 5 working days if no exceptions have been raised.

Registration with social security and tax authorities

39. Registration with the appropriate social security and tax authorities is handled by the employer. The process is straightforward.

Foreign driving license

40. If a foreign employee becomes a resident of the Rwanda, the foreign driving license is acceptable in Rwanda as valid provided that it is not expired.



Step 5:

What to do at the end of the tax year

Tax return

41. Individuals are also required to file their annual declaration not later than 31 March of the following tax period except in the cases listed below.
- a non-resident person who has no income accruing in or derived from Rwanda during the year
 - a non-resident person who suffers a final withholding tax on income derived in Rwanda
 - a resident employee whose only income is employment income and on whose behalf an employer has furnished a return
 - a resident individual who receives investment income that is subject to withholding tax.

Prepayment of tax

42. If salary is processed through a Rwanda (shadow) payroll, PAYE and social security contributions (if applicable) will be withheld by the employer and remitted to Rwanda Revenue Authority by 15th of the following month.
43. There is no obligation to file a annual tax return if all income is from employment income and the tax has been withheld by employer at source and remitted to RRA.



Step 6:

What to do when you leave Rwanda

Reporting departure

Your employer must inform the Immigration Department about your departure so that the work permit or any other employment residence permit is cancelled if the period is not expired.

Other issues

44. It is advisable to discuss the date of departure with a tax adviser, as the timing can alter the final tax liability.

Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after your departure. Any payments or bonuses received after departure in respect of Rwanda employment may be liable to tax in Rwanda under certain conditions. Planning for such payments, if any, should be undertaken with care.

45. It is advisable to request for a statement from Rwanda Social Security Board showing the assignee's total contributions. This may be important should an individual consider to follow up their contributions in future.



Appendix A:

Rates of tax

Personal income tax rates for 2015

The amount of tax due is calculated by applying the following progressive tax rate schedule to taxable income:

Band of income (Rwf)	Taxable income	Tax rates	
0-30,000	30,000	0	
30,001-100,000	70,000	20%	
100,000>		30%	

Appendix B:

Calculation of taxable income

Question

Calculate the income tax payable by two resident individuals whose annual income is Rwf 45,000,000, each. Employee 1 is provided with the employer's owned house and car for private use, while the employer rents a house and car for Rwf 1,000,000 and Rwf 350,000, respectively for Employee 2. Both of the employees have children attending school and the employer provides an education allowance of Rwf 720,000 per year to each, but paid on a monthly basis.

Solution

Item	2018 Monthly Rwf Employee 1	2018 Monthly Rwf Employee 2
Salary	3,750,000	3,750,000
Education allowance	60,000	60,000
Total cash	3,810,000	3,810,000
Add: Non cash benefits (Benefits in Kind)		
Company owned house provided to Employee 1 (20% of 3,810,000)	762,000	-
Company owned car provided to Employee 1 (10% of 3,810,000)	381,000	-
House rental cost on behalf of Employee 2	-	1,000,000
Car rental cost on behalf of Employee 2	-	350,000
Taxable Income*	4,953,000	5,160,000
PAYE thereon	1,469,900	1,532,000
Employee social security contribution (3%)	148,590	154,800
Employee maternity benefits contribution (0.3%)	14,859	15,480
Net pay**	2,176,651	2,107,720

* The annual salary and educational allowance have been divided by 12 to give monthly salary.

** Net pay is derived by deducting the benefits in kind, PAYE, social security and maternity benefits from the taxable income.

Appendix C:

Double-taxation agreements

Countries with which Rwanda has double-taxation agreements:

Note: The EAC, Turkey & UAE treaties are not yet in force.

South Africa
Belgium
Mauritius
Singapore
Barbados
Jersey
Morocco
East Africa Community (EAC)*
Turkey*
UAE*

Appendix D: Social security agreements

*Countries with which
Rwanda has social
security agreements:*

Burundi



Appendix E: Rwanda contacts and offices

Contacts

Kacyiru office

Moses Nyabanda

Tel: +250 252 5882 03/04/05/06

Email: Moses.o.nyabanda@pwc.com

Frobisher Mugambwa

Tel: +250 252 5882 03/04/05/06

Email: frobisher.mugambwa@pwc.com

Timothy Kirabira

Tel: +250 252 5882 03/04/05/06

Email: timothy.x.kirabira@pwc.com



© 2018 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP (a Delaware limited liability partnership) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

"PricewaterhouseCoopers" and "PwC" may also refer to one or more member firms of the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), each of which is a separate legal entity.

PricewaterhouseCoopers does not act as agent of PwCIL or any other member firm nor can it control the exercise of another member firm's professional judgement or bind another firm or PwCIL in any way.