

Payroll Compliance

A short guide for payroll professionals navigating the latest employees' tax legislation.

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1. General Information

1.1 Official currency

Rwandese Franc (RWF)

1.2 Tax year end

Rwanda tax year is the calendar year.

1.3 Revenue service

Rwanda Revenue Authority

www.rra.gov.rw

2. Pay As You Earn (PAYE)

2.1 Persons exempted from employment income tax

Persons that are exempted from employment income tax in Rwanda as provided for by international agreements referred to under Article 16 of the Tax Law, due to services rendered in the exercise of their official duties are the following:

- 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.

2.2 Employment Income

Employment income includes all payments paid to an employee by his/her employer in cash or in kind in relation to the work performed. Those payments are composed of the following:

- Wages, salary, leave pay, sick pay and medical allowance, payment in lieu of leave for an employee who stops working before benefiting from his/her annual leave, sitting allowances, commissions, bonuses and gratuity;
- allowances relating to the cost of living, subsistence allowances, housing allowances, and entertainment or travel allowances;
- any discharge or reimbursement of expenses incurred by the employee or an associate;
- payments to the employee working in exceptional conditions of employment;
- payments for redundancy or loss or termination of contract;
- pension payments;
- other payments made in respect of previous, current or future employment.

2.3 Tax rates

Monthly tax tables – January to October 2023

| Tax Bracket (RWF) | Tax rate (%) |
|-------------------|--------------|
| 0 to 60 000 | 0 |
| 60 001 to 100 000 | 20 |
| Over 100 000 | 30 |

Monthly tax tables – From November 2023

| Tax Bracket (RWF) | Tax rate (%) |
|--------------------|--------------|
| 0 to 60 000 | 0 |
| 60 001 to 100 000 | 10 |
| 100 001 to 200 000 | 20 |
| Over 200 000 | 30 |

2.4 Casual Workers

In the case of engaging a casual worker for less than 30 days during a particular tax year, the employer shall withhold 15% of the taxable employment income of the casual worker. Income not exceeding 30 000 per month is rated at 0%.

Casual labourer is an employee or worker, who performs unskilled labour activities, does not use machinery or equipment that require special skills, and who is engaged by an employer for a period aggregating not more than 30 days in a tax period, which is the tax year.

2.5 Secondary employment

An employee who works for more than one employer is obliged to inform his/her employers specifying which one is his/her first employer. The employer is obliged to ask the employee and confirm that he/she is the first employer.

An employer who is not the first employer of an employee must withhold PAYE at the marginal top tax rate of **30%**.

2.6 Board of Directors

Sitting allowances allocated to the members of the Board of Directors are taxable at a rate of 30%.

3. Fringe Benefits

Benefits in kind received by an employee are included in taxable employment income in consideration of market value as follows:

3.1 Housing benefit

There shall be added to the taxable income an amount meant for use or availability for use of premises including or excluding any household equipment of other contents by an employer for residential occupation by an employee during a tax period, valued at twenty percent (20%) of the employment income excluding benefits in kind.

3.2 Car benefit

There shall be added to the taxable income an amount meant for the availability and use of a motor vehicle to an employee during a tax period, valued at ten percent (10%) of the employment income excluding benefits in kind;

3.3 Loans

There shall be added to the taxable income, benefits on a loan including advance on a salary exceeding a three (3) months' salary given to an employee valued at a difference between:

- the interest on loan, which would have been paid by the employee during the month in which the loan was received, calculated at a rate of interest offered to commercial banks by the National Bank of Rwanda;
- and the actual interest paid by the employee in that month;

3.4 Other employee benefits

The following benefits in kind are considered in the same manner as benefits an employer gives to an employee:

- benefits in kind provided by an employer to a person related to an employee when there is no service rendered;
- benefits in kind provided by a company to one of its members.

However, a rent of house or motor vehicle directly paid by an employer for an employee, is taxed as any other taxable allowance.

4. Exempt Income

The following payments are not included in the calculation of taxable employment income:

4.1 Reimbursement of expenses

The discharge or reimbursement of expenses incurred by the employee or his/her associate:

- wholly for business activities of the employer;
- those that are deducted or would be deductible in calculating the employee's income from all his/her business activities.

4.2 Contributions to RSSB

Contributions made by the employer for the employee to the public institution in charge of social security.

4.3 Pension payments

Pension payment from the public institution in charge of social security or from a qualified pension fund.

4.4 Certain employment income

- employment income received by an employee who is not a Rwandan citizen from a foreign Government or a nongovernmental organization under an agreement signed by the Government of Rwanda, when the income is received for the performance of aid services in Rwanda;
- employment income received from an employer who is not a resident in Rwanda by a non-resident individual for the performance of services in Rwanda, unless such services are related to a permanent establishment of the employer in Rwanda.

5. Rwanda Social Security Board (RSSB)

The Social Security Fund of Rwanda (SSFR) and the Rwanda Medical Insurance (RAMA) have been merged to form the Rwanda Social Security Board on the 14th October 2010 under law N°45/2010. Under the RSSB, there is the Pension, Medical and Occupational Hazards Schemes.

5.1 Pension Scheme

The contribution rates are 3% of salary paid by the employer and 3% of salary by the employee.

There is also the option for individuals to enroll as a voluntary member. This can be achieved by applying to join the scheme and paying the required contribution rate of 6% of salary. Voluntary members must be less than 45 years of age in order to be accepted. Once you have been in mandatory insurance, you are only eligible to apply for voluntary insurance within the first 12 months of the date on which your mandatory insurance ended.

The salary declared under voluntary insurance must be at least the minimum monthly salary, subject to a ceiling of 104,000 RWF.

5.2 Medical Scheme

Members of this scheme automatically include all civil servants, pensioners who previously contributed towards medical care and private institutions who have been accepted.

The contributions paid to RSSB represents 15% of employee's basic salary. It is paid by both the employer and the employee at the rate of 7.5% each. RSSB also covers the medical insurance for pensioners with 7.5% contribution deducted from their monthly pension. The employer is responsible for deducting, declaring and paying their employee's contribution to RSSB. The contribution is deducted on a monthly basis and paid not later than the 10th day of the following month.

5.3 Occupational Hazards

RSSB protects you when you are at work, travelling to work or on a work related journey. This insurance also covers an occupational disease that is caused by work.

A contribution of 2% of salary is paid on behalf of mandatory members by employers. There is no employee contribution towards this benefit. Voluntary members are not permitted for this benefit.

5.4 Maternity Leave Benefits Scheme

The Rwanda Social Security Board (RSSB) announced that the Maternity Leave Benefits Scheme has been established to compensate the female employee who is absent from work due to pregnancy, giving birth and subsequently caring for the new-born child.

The scheme began its operation in the month of November 2016.

The scheme introduces 12 weeks (3 months) of fully paid leave during which a monthly compensation equivalent to the mother's last salary shall be paid.

The RSSB will pay 6 weeks of the paid leave starting from the seventh week while compensation for the first 6 weeks will be paid by the employer.

The employer is required to pay the employee the maternity leave benefits due by the RSSB and claim reimbursement which will be made within 30 days of the receipt of request of reimbursement.

Every employed woman who goes on maternity leave and has contributed for at least one month to the maternity leave benefit scheme is an eligible beneficiary of the scheme.

All employees in Rwanda (both male and female) and all the employers (private and public) must contribute to the scheme.

The total contribution is 0.6% of the employee's gross salary. Both the employer and employee contribute each contribute 0.3%.

Submission and payment deadline is no later than the 15th of every month following the month of contribution.

5.5 Declarations

Declarations and Payment slips are submitted to RSSB district branches across the country and RRA Offices.

The contributions and payments are made on a monthly basis.

<http://www.rssb.rw/>

6. Community-Based Health Insurance Scheme (CBHIS)

New Statutory contribution paid by the employees.

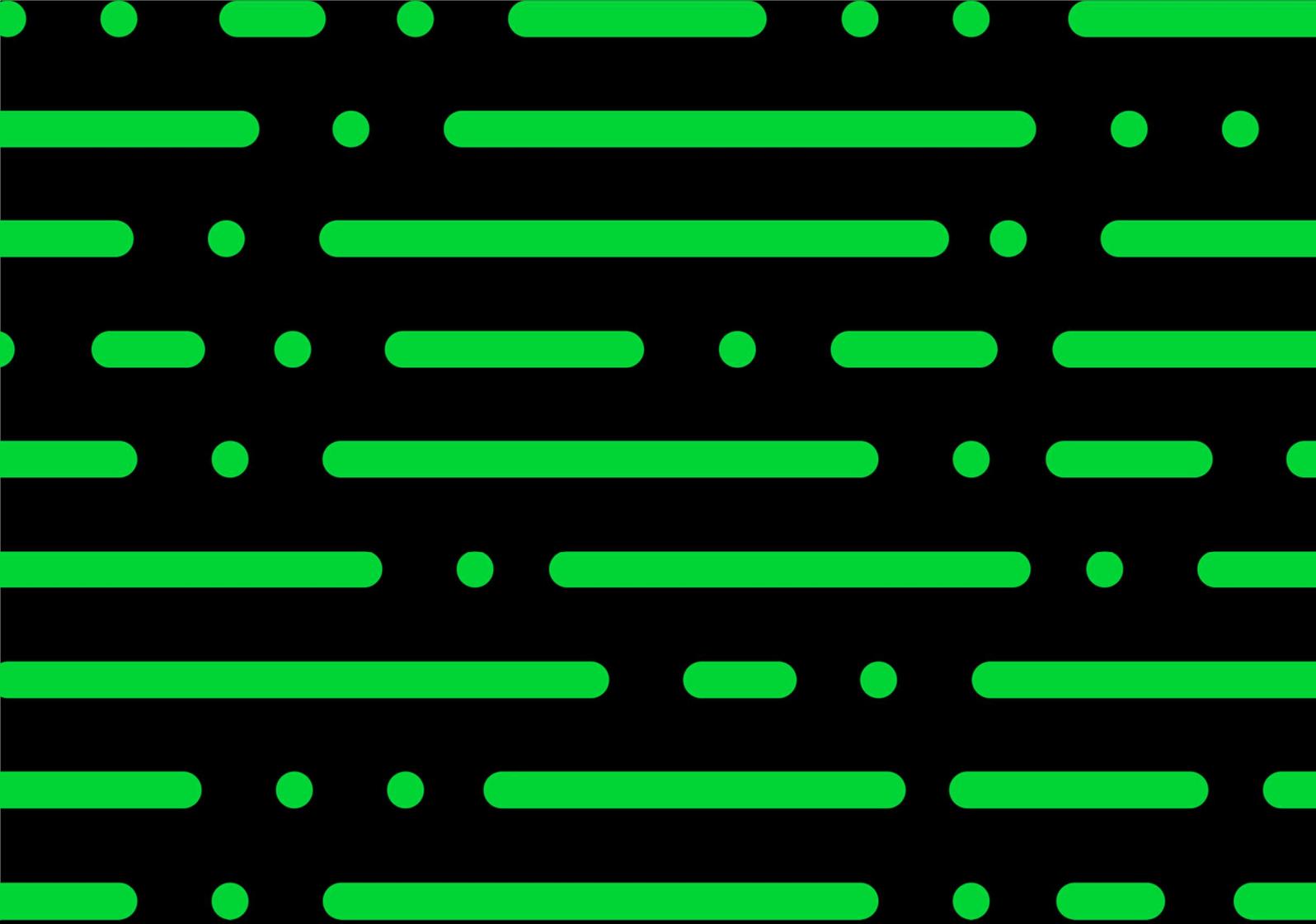
According to Article 2, Paragraph 10 of the Prime Minister's Order, 0.5% is deducted by an employer from the net salary of the employee for the CBHIS.

Net salary X 0.5% = CBHIS contribution

Employers are to remit these contributions to the Rwanda Social Security Board (RSSB) on or before the 15th of the following month.

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Sage Johannesburg
6th Floor, Gateway West
22 Magwa Crescent
Waterfall 5-lr
Midrand
2066
[sage.com/en-za](https://www.sage.com/en-za)

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