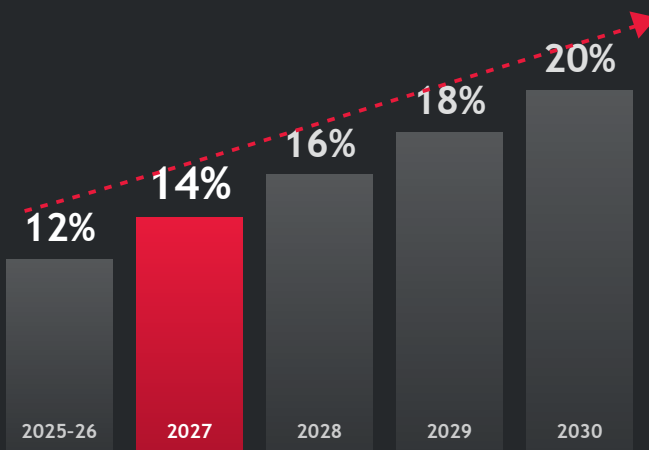


Pension Reform: Contribution Rate Rises to **14%** from 1 January 2027

What the new rate means for payroll, for employment contracts and for your budget over the next four years.



IN FORCE

13 December 2024

NEW RATE APPLIES

1 January 2027

LEGAL INSTRUMENT

**Presidential Order
n° 086/01 of
12/12/2024**

Presidential Order n° 086/01 of 12/12/2024 determining the contribution rate to the mandatory pension scheme (the “Order”) raises the total pension contribution rate from **12% to 14% with effect from 1 January 2027**. Further annual increases follow: 16% in 2028, 18% in 2029 and 20% in 2030.

For employers, the practical effect is that the employee and employer shares each rise from **6% to 7%** of total gross salary, including the transport allowance. The 2% occupational hazards contribution is separate and remains unchanged.

This alert summarises the Order, the phased rate path, who bears the additional cost under different contract types, and the steps employers should take before 1 January 2027.

IN THIS ALERT

- 01** Legal basis and status
- 02** Why the reform?
- 03** The phased rate increase
- 04** How the 14% is shared
- 05** Cost illustration
- 06** Who bears the cost?
- 07** Employer action plan
- 08** Points to watch
- 09** How BDO Rwanda can help

01 ARTICLES 5 AND 6

Legal Basis and Status

INSTRUMENT	Presidential Order n° 086/01 of 12/12/2024 determining the contribution rate to the mandatory pension scheme.
PUBLICATION	Official Gazette n° Special of 13/12/2024, following consideration and approval by the Cabinet in its meeting of 09/11/2024.
LEGAL BASIS	Issued under Article 8 of Law n° 05/2015 of 30/03/2015 governing the organisation of pension schemes.
REPEAL	Repeals Presidential Order n° 009/01 of 10/05/2016 (Article 5).
ENTRY INTO FORCE	On the date of its publication in the Official Gazette, i.e. 13 December 2024 (Article 6).

02 POLICY RATIONALE

Why the Reform?

According to the Rwanda Social Security Board (RSSB) Pension Reform FAQs, the change responds to four main concerns:



Longer retirement periods

Before the 2025 increase, the rate had remained unchanged since 1962, while life expectancy has risen from about 43 years to almost 70. Pensions must now be paid over a much longer period.



Inadequate benefits

Some current beneficiaries struggle to keep pace with market prices. The reform aims to increase pension payouts, particularly for lower earners.



A sustainable system

A stronger scheme supports national savings and investment and keeps benefits meaningful for future generations.



A simpler, fairer base

Aligning the pension base with the PAYE base (total gross salary, including the transport allowance) simplifies administration and links contributions to total earnings.

03 ARTICLE 1

The Phased Rate Increase

EFFECTIVE DATE	TOTAL PENSION RATE	COMMENT
1 January 2025	12%	Rate applicable in 2025 and 2026
1 January 2027	14%	Focus of this alert
1 January 2028	16%	Subject to review (Article 2)
1 January 2029	18%	Subject to review (Article 2)
1 January 2030	20%	Subject to review (Article 2)

RATE REVIEW • ARTICLE 2

The rates apply to remuneration subject to contribution under the mandatory pension scheme and may be reviewed following an actuarial study of the scheme. The 2% occupational hazards rate is separate and unchanged.

04 EMPLOYEE AND EMPLOYER SHARES

How Is the 14% Shared from 1 January 2027?

2025-2026

Pension 12% + 2%



From 2027

Pension 14% + 2%



Grey = employer occupational hazards. Bars drawn to scale (% of gross salary).

COMPONENT (% OF GROSS SALARY)	2025-2026	FROM 1 JAN 2027
Employee pension contribution	6%	7%
Employer pension contribution	6%	7%
Employer occupational hazards	2%	2% (unchanged)
Total contributions (pension + hazards)	14%	16%

KEY POINT TO CONFIRM

The Order fixes the **total** pension rate only: 14% from 1 January 2027, applied to total gross salary including the transport allowance. The equal 7% / 7% split reflects the sharing currently applied; employers should confirm it against Law n° 05/2015 before finalising payroll settings.

05 WORKED EXAMPLE

Cost Illustration per RWF 1,000,000 Gross Salary

+10,000 RWF per month additional pension deduction for the employee	+10,000 RWF per month additional employer cost (8% → 9% of gross)	+20,000 RWF per month total additional contributions remitted to RSSB
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RWF PER MONTH, BEFORE PAYE EFFECTS	2025-2026	FROM 1 JAN 2027	CHANGE
Employee pension (6% → 7%)	60,000	70,000	+10,000
Employer pension (6% → 7%)	60,000	70,000	+10,000
Employer occupational hazards (2%)	20,000	20,000	No change
Total employer cost (8% → 9%)	80,000	90,000	+10,000
Total contributions (14% → 16%)	140,000	160,000	+20,000

Each additional percentage point of the total pension rate costs the employee and the employer 0.5% of gross salary each; the 2027 step of two points therefore adds 1% each. Figures are illustrative only (pension rate × gross salary) and assume equal sharing. They exclude PAYE, RAMA, maternity leave and CBHI effects.

06 CONTRACT TERMS MATTER

Who Bears the Cost?

The answer depends on how remuneration is agreed in the employment contract:

Gross salary contract SHARED The employee bears 7% and the employer bears 7% of gross salary. The employee's net pay falls by the additional 1%.	Net salary contract EMPLOYER The employer bears the increase. Gross salary must be raised to maintain net pay, which also increases PAYE, the RSSB base and maternity leave contributions.	Employer elects to absorb EMPLOYER Where the employer chooses to cover the employee's additional share to protect staff welfare, the full cost falls on the employer.
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DECISION REQUIRED

Each employer should determine which scenario applies to its workforce and clearly communicate any impact on employees' net salaries before January 2027 payroll is processed.

07 BEFORE 1 JANUARY 2027

Employer Action Plan

1

Update payroll settings

Apply 7% employee and 7% employer pension contributions on total gross salary, including the transport allowance. RAMA, maternity leave and occupational hazards contributions keep their current base, which excludes the transport allowance.

2

Review employment contracts

Identify gross-salary and net-salary contracts, and decide whether the organisation will absorb the employee's additional share.

3

Communicate early

Explain to employees how the change affects their net pay well before it takes effect, to avoid surprises on the January 2027 payslip.

4

Budget for the full rate path

Build 16% (2028), 18% (2029) and 20% (2030) into multi-year staff cost budgets, noting these rates remain subject to review after the actuarial study.

08 RISK AREAS

Points to Watch

Total rate versus split

The Order fixes the total rate only. Confirm the 7% / 7% split against Law n° 05/2015 before finalising payroll settings.

Different contribution bases

Pension applies to total gross salary including the transport allowance; RAMA, maternity leave and occupational hazards keep a base that excludes it.

Net salary contracts

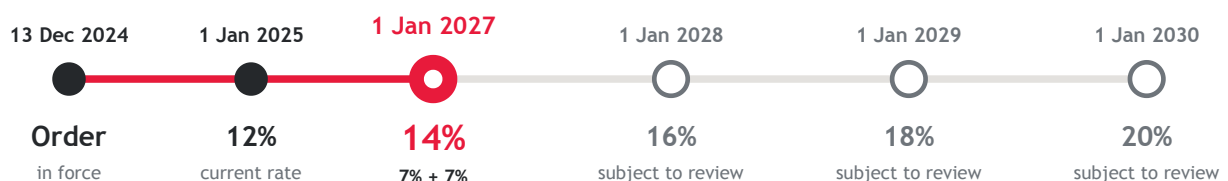
Grossing up pay to protect net salary also increases PAYE, the RSSB base and maternity leave contributions, so the true cost exceeds the illustration.

Future steps are not fixed

The 2028-2030 rates may be revised following the actuarial study (Article 2). Monitor RSSB announcements.

AT A GLANCE

Key Dates



09 OUR SERVICES

How BDO Rwanda Can Help

Our team combines deep local knowledge with the global resources of the BDO network, present in more than 160 countries and territories. We support employers across the full payroll and pension compliance lifecycle:

01 Pension & Payroll Compliance Review

Check payroll settings, bases and RSSB filings.

02 Gross / Net Contract Review

Map contracts and quantify who bears the cost.

03 Payroll Cost Modelling & Budgeting

Project staff costs through the 2030 rate path.

04 Net Pay and PAYE Impact Analysis

Gross-up calculations for net salary contracts.

05 Employee Communication Support

Clear staff notices and payslip explanations.

06 Payroll Outsourcing (BSO)

End-to-end payroll processing and compliance.

Get in Touch

If you have employees in Rwanda and would like support in preparing for the new pension contribution rates, please contact our tax and payroll team.

✉ rwanda@bdo-ea.com

☎ +250 788 309 225 / +250 738 304 070

📍 Career Center Building, 8th Floor, Kigali



Emmanuel Habineza

Managing Partner

emmanuel.habineza@bdo-ea.com
@bdo-ea.com



Clement Niyitegeka

Partner, Risk Advisory

clement.niyitegeka@bdo-ea.com
@bdo-ea.com



Ernest Chirwa

Audit Partner

ernest.chirwa@bdo-ea.com
@bdo-ea.com



Marie Rosette Niwewarwego

Tax & BSO Partner

rosette.niwewarwego@bdo-ea.com
@bdo-ea.com

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FOR MORE INFORMATION:

BDO East Africa (Rwanda) Ltd

8th Floor, Career Center Building

KG 541 St

P.O. Box 6593 Kigali, Rwanda

Office: (+250) 788 309 225, (+250) 738 304 070

Email: rwanda@bdo-ea.com

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