KIGALI INTERNATIONAL FINANCIAL CENTRE • INVESTOR BRIEFING

The Rwanda Holding Company

A 3% CIT Regime — Structure, Funding & Money Flow

A step-by-step walkthrough of how a USD 1,000,000 investment is funded with capital and a shareholder loan, and how money and tax move from the subsidiary to the HoldCo to the investor at each stage.

Investor → Rwanda HoldCo → Subsidiary

THE BIG IDEA

Three Tax Advantages, One Structure

Rwanda's Investment Promotion Law (Law N° 006/2021) gives a qualifying "pure holding company" a much lower tax rate, plus 0% withholding on payouts and 0% on capital gains.

STANDARD RATE

28%

Ordinary corporate income tax rate for most companies in Rwanda (reduced from 30% in September 2023).

QUALIFYING HOLDING COMPANY

3%	0%	0%
Corporate income tax	**Withholding tax**	**Capital gains tax**
on the HoldCo's own income	on outbound distributions	on sale of shares*

**Registered-investor exemption (Annex Section XVIII). Gains on Rwandan commercial immovable property remain taxable.*

Here's the idea: an investor puts USD 1,000,000 into a Rwanda holding company, which then funds an operating subsidiary using a mix of capital and a shareholder loan. The following slides walk through the structure, the eligibility tests, and exactly how the money and the tax move at each step.

OWNERSHIP CHAIN

The Structure: Who Owns What

Instead of investing directly, the investor owns the operating business through a Rwanda holding company sitting in the middle.

Investor

The ultimate shareholder — based in Rwanda or abroad

Rwanda Holding Company

Registered "pure holding company" — taxed at 3% CIT

3% CIT

Operating Subsidiary

Funded with USD 1,000,000 — capital + shareholder loan (see next slide)

CAPITAL STRUCTURE

Funding the Subsidiary: the USD 1,000,000

The HoldCo funds the subsidiary with a mix of share capital and a shareholder loan — not 100% equity.

TOTAL INVESTMENT

USD 1,000,000

20%	80%

USD 200,000 — Share Capital

Paid-up equity — the HoldCo subscribes for new shares in the subsidiary

USD 800,000 — Shareholder Loan @ 12% p.a.

An interest-bearing loan from the HoldCo to the subsidiary

Debt : Equity = 4 : 1

This sits exactly at Rwanda's thin-capitalization ceiling: related-party interest is deductible only up to 4× the company's paid-up equity (“paid-up equity” excludes reserves and retained earnings). No headroom remains for further related-party debt without triggering partial disallowance of interest.

Money & Presence

To qualify as a "pure holding company" for the 3% rate, the company must show it is real and rooted in Rwanda — not a shell.

USD 1,000,000+

Minimum total net assets consolidated in Rwanda

USD 15,000+

Minimum genuine annual expenditure incurred in Rwanda

Physical Office

A real, physical office address for the company in Rwanda

These are the baseline substance tests — see Part 2 for the people and governance conditions.

People & Governance

Rwanda also wants to see genuine local decision-making — not just money passing through.

At least 30% of professional staff are Rwandan

At least 25% of directors reside in Rwanda

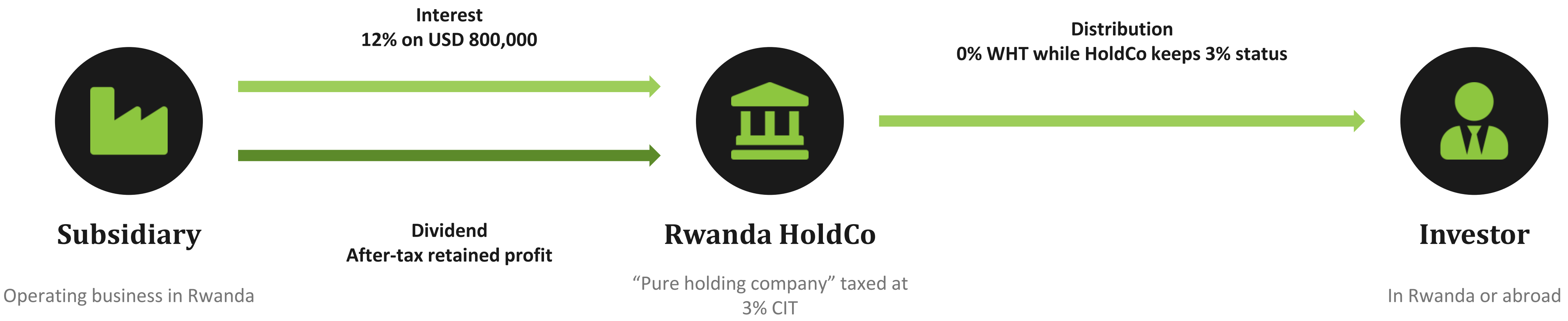
At least 2 Board members are qualified Rwanda residents

At least 50% of the Board attends Board meetings in Rwanda

Strategic Board decisions and resolutions are made and kept in Rwanda

The Fund-Flow Workflow

Interest and dividends both travel up from the subsidiary to the HoldCo; the HoldCo then distributes to the investor.



Note: whether the investor is based in Rwanda or abroad, confirm the applicable withholding treatment for that investor type before relying on the 0% rate. Slides 8–11 unpack each step with the numeric example and the tax flags to confirm.

Interest on the Shareholder Loan

The subsidiary pays annual interest to the HoldCo on the USD 800,000 loan.

ANNUAL INTEREST

USD 800,000 × 12%

= USD 96,000

per year

Deductibility check

Stays within the 4:1 thin-capitalization ceiling (Slide 4), so the full amount is deductible for the subsidiary's corporate tax — provided the USD 200,000 equity base and the 12% rate are documented as arm's length.

Withholding tax — needs confirmation

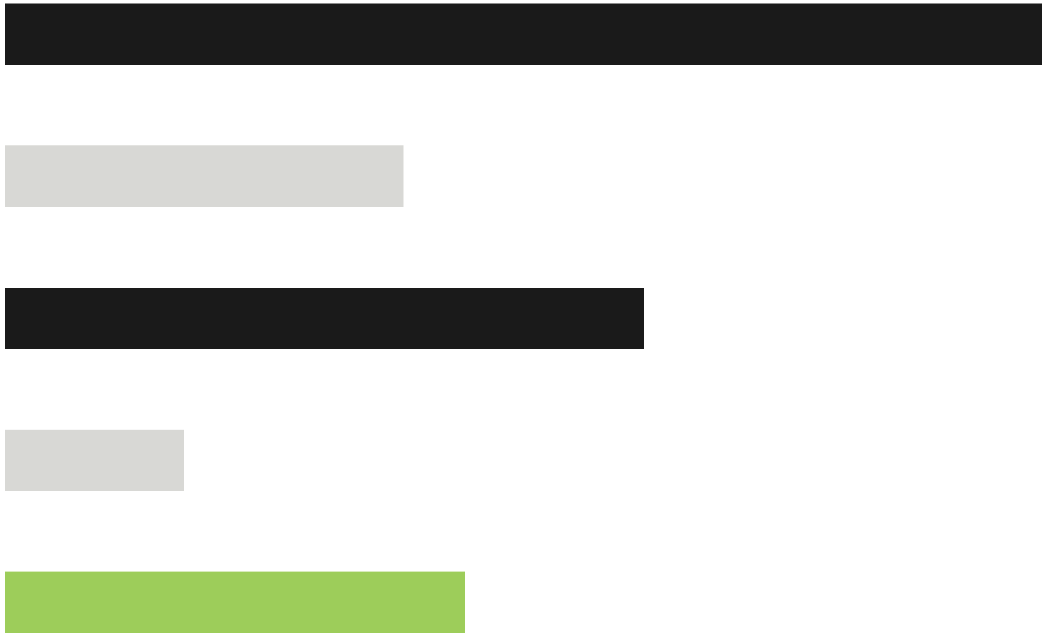
General rule: Rwanda applies a 15% withholding tax to interest by default. The Investment Promotion Law's 0% rate applies to dividends/interest/royalties paid BY the 3%-regime HoldCo — not interest paid INTO it. Do not assume 0% on this leg without RRA confirmation (Slide 12, Item 1).

STEP 1 · Interest | **STEP 2 · Subsidiary CIT** | STEP 3 · Dividend Up | STEP 4 · Distribution

Corporate Income Tax at the Subsidiary

Illustrative figures — insert the subsidiary's actual projected profit before relying on this example.

Illustrative EBIT (before interest & tax)	**USD 250,000**
Less: deductible interest expense (Step 1)	**(USD 96,000)**
Taxable profit	**USD 154,000**
Corporate income tax at 28%	**(USD 43,120)**
Net profit after tax	**USD 110,880**



Standard CIT rate reduced from 30% to 28% (Law N° 051/2023, amending the Income Tax Law, Law N° 027/2022 of 20/10/2022) — effective 14 September 2023.

Dividend Up to the Holding Company

The subsidiary's after-tax profit is distributed to the HoldCo as a dividend.

Net Profit After Tax

USD 110,880

Dividend Paid

USD 110,880

Received by HoldCo

USD 110,880

This leg is tax-free.

Dividends paid by a resident company to another resident company are generally excluded from the recipient's taxable income under Rwanda's Income Tax Law, and are not subject to further withholding tax. No 28% or 3% CIT applies to this transfer — it is a distribution of profit already taxed at the subsidiary.

Distribution to the Investor

The HoldCo pays out to the investor — the final leg of the structure.

HOLDCO’S OWN TAX

3% CIT

while it keeps “pure holding company” status

0% CGT*

on sale of shares (registered-investor exemption)

The resident-to-resident dividend received in Step 3 is already excluded from taxable income under the general participation exemption. Capital gains on a share sale are separately exempt under Section XVIII of the Investment Promotion Law's annex — *except gains on Rwandan commercial immovable property, which remain taxable as ordinary income.

PAYOUT TO THE INVESTOR

0% WHT

on the distribution

Rwanda’s Investment Promotion Law grants a 0% preferential withholding tax on dividends, interest, and royalties paid BY a registered investor benefiting from the 3% preferential CIT rate. As long as the HoldCo keeps its registration, this final leg to the investor is free of withholding tax.

BEFORE YOU FINALIZE

Key Points to Confirm Before Finalizing

This mechanism is attractive, but six items need specific confirmation before the structure is implemented.

1

Withholding tax on the subsidiary-to-HoldCo interest (Step 1): the general rule points to 15%, not 0% — seek RRA confirmation or a specific ruling.

2

“Pure holding company” status: confirm that making a shareholder loan does not put the 3% CIT registration at risk (or hold the loan through a separate vehicle).

3

Thin capitalization headroom: the 4:1 ratio is at the statutory ceiling — confirm the USD 200,000 qualifies fully as paid-up equity.

4

Transfer pricing: the 12% interest rate should be benchmarked and documented as an arm’s-length rate between related parties.

5

HoldCo’s own tax base: capital gains on a share sale are confirmed exempt (Annex Section XVIII) — confirm only that any gain relates to shares, not Rwandan commercial immovable property (still taxable).

6

Investor residency (Step 4): confirm the 0% withholding rate applies the same way whether the investor is Rwanda-resident or based abroad.