

RWANDA REVENUE AUTHORITY



TAXES FOR GROWTH AND DEVELOPMENT

BUSINESS PLAN

2011-2012

June, 2011

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1. FOREWORD BY THE COMMISSIONER GENERAL

As we tend towards the end of 2010/11 fiscal year, it gives me pleasure to extend my gratitude to all, who directly or indirectly made the year a success. This was the first year of our 2010 – 2013 Medium Term Strategy and the performance registered reflects a foundation the organization has laid for the three year journey.

While it was a year that saw many countries including Rwanda, emerge from the financial crisis that affected business profitability, we are happy to note that our performance was very impressive. We remain optimistic that we shall achieve our annual revenue targets and other major activities that had been planned for this year.

Now that we are celebrating a successful year, this presents a good moment for us to reflect back and see where we missed opportunities in order to avoid reoccurrence and put in place measures to consolidate and surpass the achievements registered in the previous years. We had an opportunity to evaluate ourselves during the planning process. We tried to scan the environment in which we operate, gaps were identified and the 2011/12 key activities were developed as possible bridges to narrow or completely eliminate the identified gaps.

Revenue targets have been set at Rwf 515.5 billion and the Government has to a larger extent provided the resources and support that we need to execute our responsibilities. Indeed, we shall continue to count on the Board of Director's support and guidance. Even though the year may seem challenging, with determination and enthusiasm, we believe we shall conclude it on a positive note. We view this as an opportunity and responsibility bestowed on us to optimally serve our dear motherland – Rwanda.

As an organization, we must strongly believe and work towards achieving the set revenue targets and other key activities that have been planned for the coming fiscal year. Let us utilize every moment and energy that God will allow us in the coming year to accomplish as much as we can with no burden inflicted to our customers. *They are the reason why we exist as RRA. This will enable us emerge stronger and triumphant.*

Let this be everyone's responsibility, to own and implement this business plan in a proper way. Let our values guide us and reflect our true image. Success is all we desire and must strive for – it is possible and we shall achieve it.

God bless you all.



Ben B. KAGARAMA
Commissioner General

2. INTRODUCTION

The current RRA medium-term strategy covers the period from July 2010 to June 2013. Major activities to be performed by the authority remain aligned to the three-year-period strategy. RRA's strategic directions for the said period are as follows:

- a) Maximisation of revenue mobilisation;
- b) Service delivery;
- c) Encourage voluntary compliance and broaden tax base;
- d) Further strengthen the capacity of the organisation.

This however, means that every year, a business plan must be prepared, that is in line with this medium term strategy.

The 2011/2012 RRA business plan sets out the major activities and strategies to achieve those activities and indicators upon which success will be measured. This plan is embedded in the 2010/2013 RRA's Medium Term Strategy framework.

Part one of the 2011/2012 business plan reflects RRA's major Corporate Statements that include: the overall mission, vision, core values and SWOT analysis. Part two of the plan deals with the priorities as well as key indicators by which performance against objectives and planned activities during the year 2011/2012 will be monitored.

3. CORPORATE STATEMENTS

RRA's corporate statements remain unchanged for the 2011/2012 business plan; priorities are aligned to the following **RRA's vision, mission and core values**:

Mission is:

"Mobilise revenue for national development through efficient and equitable services that promote business growth."

RRA's Vision is:

"To become a world-class efficient and modern revenue agency, fully financing national needs."

Core values:

- *Integrity;*
- *Customer focus;*
- *Transparency;*
- *Professional Service delivery;*
- *Teamwork.*

4. RRA SWOT ANALYSIS

4.1 Strengths

- Strong commitment of RRA staff;
- Improved planning processes;
- Taxpayers education strategy;
- Computerization of core business functions and availability of good IT infrastructure leading to efficient service delivery and enhanced revenue collection;
- Operational block management system in every district of Kigali City;
- Collection of National Social Security Fund contributions with associated benefits for PAYE compliance;
- Licensing of tax advisors that streamlines tax profession and increases taxpayer's compliance;
- Effective implementation of EAC Customs Union Management Act and Common Market Protocols;
- Enhanced trade facilitation in domestic and cross border operations;
- Existence of sophisticated equipment to detect and prevent smuggling;
- ISO 9001 – 2008 certified;
- Existence of a fully fledged in house training institute;
- Flexible management of financial resources;
- Decentralized services.

4.2 Weaknesses

- Slowness to adopt change management;
- Some cases of poor customer care and service delivery;
- Inadequate skills in ICT among staff and limited integration of IT systems;
- Limited skills in some technical areas (e.g. risk management, transfer pricing, mining taxation, e-commerce and cross border transactions);
- Lack of proper management of tax expenditures;
- Staff shortage as a result of more responsibilities to RRA and continued staff turnover due to comparatively better remuneration by the private sector;
- Low response levels and ineffective communication;
- Weak audit function and refund processes;
- Delays in revenue data reconciliation exercise;
- Low quality data from the point of data capture up to dissemination point;
- Poor document and data management;
- Corruption practices amongst some RRA officers;
- Lack of a sound welfare scheme;
- Lack of an effective monitoring and evaluation mechanism for monitoring corporate priorities and projects;
- Poor reading and research culture among RRA staff;
- Slow payment process of suppliers;
- Failure to implement procurement plan well;
- Poor working environment for some RRA offices.

4.3 Opportunities

- Strong government support;
- Strong partnership with both internal and external stakeholders;
- Stable political and economic environment;
- Certification of taxpayers' financial statements;
- Existing forum and good relations with the private sector;
- Planned new initiatives to facilitate trade and improve service delivery e.g. e-tax, electronic cargo tracking equipment, construction of more One-Stop-Border posts;
- Introduction of electronic tax registry to manage VAT;
- Regional and international cooperation agreements (EARAs, HMRC, and SARS);
- Membership to African Tax Administration Forum (ATAF);
- All-inclusive national ICT strategy

4.4 Threats

- Low level of record-keeping and accounting skills within business community;
- Illiteracy of majority of small taxpayers negatively impacts on the accuracy of tax returns filed;
- Tax base erosion due to increasing tax-incentives and exemptions demands;
- Informal sector growth;
- Smuggling and tax evasion on the increase;
- Tax planning activities by some taxpayers to avoid payment of taxes;
- Continued low level of compliance by taxpayers to pay tax arrears;
- Globalization challenges – petroleum prices, food prices, e-commerce & trade facilitation demands.
- Low commitment of some stakeholders towards the implementation of shared projects leading to failure of these projects kicking off;
- Failure by some suppliers to honour the provision of services causing unnecessary delays in projects implementation;
- Loopholes existing in taxation laws;
- IT security threats;
- Network failures that negatively affect service delivery and work productivity;

5. PRIORITIES FOR 2011/2012

Having examined the environment in which we work and our organisational capabilities, we have set the following priorities with the corresponding activities to orient the organisation towards realising the strategic objectives over the period of this plan.

5.1 Maximization of revenue mobilisation

- Achieve revenue targets Rwf 515.5 billion.
- Furnish operational functions with appropriate resources to handle tasks before them.
- Identify measures to cover loopholes in the process of granting incentives.
- Analyse different options to improve efficiency of major tax heads (PAYE, VAT).

- Prepare a proposal to retake some decentralised taxes.

5.2 Service delivery

- Establish more revenue collection and service centres.
- Upgrade the CSR system to streamline its administration.
- Implement electronic services to improve delivery.
- Commence construction of One Stop Border Posts.
- Initiate pre-arrival request for exemptions.
- Implement Authorised Economic Operator Program.
- Implement Regional Customs Transit Bond Guarantee Scheme.
- Conduct EAC regional time release study.
- Extend simplified trade regime at borders with Burundi, Tanzania and DRC.
- Carry out a feasibility study to increase border posts threshold.
- Test and implement RADDEX interconnectivity with TRA and OBR.
- Conduct focused taxpayers training programs by sector of activities and by category of taxpayers.

5.3 Encourage voluntary compliance and broaden the tax base

- Develop a simplified tax declaration and accounting system for SMEs, translated in Kinyarwanda language.
- Draft a new tax regime for the identified SME category.
- Identify loopholes existing in tax laws and administrative procedures and recommend amendments.
- Introduce electronic transaction devices (ETD) to improve VAT productivity.
- Integrate CSR software with the tax system and harmonise PAYE and CSR declaration forms.
- Acquire and implement electronic cargo tracking system.
- Establish and implement a ‘name and shame’ mechanism for non compliant taxpayers.
- Enhance SIGTAS to deliver a single view taxpayer account.
- Waive off/suspend old and enforce recoverable tax arrears.
- Participate in a study aimed at widening the tax base.
- Connect RRA system to national ID registry office.

5.4 Further strengthen the capacity of the organization

- Carry out a study on current RRA performance and propose reform initiatives to improve efficiency.
- Train staff in areas that will impact revenue mobilization, customer service and management functions.
- Streamline customs process and procedures as well as customs work environment for the acquisition of CSD ISO certification.
- Organise benchmarking and attachment programs for staff in revenue collection operations in best performing revenue administrations.
- Conduct a study on establishing electronic filing and archive management system.
- Carry out a study for the expansion of RRA Training Institute.
- Replace RRA servers and install new ones to ensure business continuity.
- Enhance RRA networking system.
- Upgrade SAGE to include document management modules.

- Acquire and use new HR management software.
- Connect RRA to RITA Government network.
- Prepare RRA's data by sector of activity.

6. CASCADING KEY OBJECTIVES PROCESS

The above key activities set out what the organisation will do to achieve the set strategic objectives and how these will be measured. In order to ensure that we remain on course and ensure that RRA staff perform activities aligned to the corporate goals, a cascading process that involves further breaking down of the corporate level activities was done at the departmental level.

Each department has developed a detailed business plan indicating schedule of activities and timeline guided by the corporate level priorities as reflected in this plan. Each activity to be performed shows the responsible department as well as the timeline. This will help in ensuring effective implementation of this business plan and making reviews to avoid any possible slippages. This will keep the entire organisation focused towards achieving the vision.

7. REVENUE TARGETS AND BUDGET IMPLICATION

RRA continues to work within her means. Our aim is to remain below 3% in 2011/12. Targets have been set at Rwf 515.5 billion for fiscal and non fiscal revenues and the budget is Rwf 16.4 billion.

Some activities may not be accomplished as a result of less funding available compared to what had been projected.

8. MONITORING AND EVALUATION

We recognise that proper implementation as well as monitoring and evaluation are as important as this plan. This therefore necessitates a clear mechanism on how to monitor implementation effectively.

The 2011/2012 RRA business plan clearly spells out main organisational activities with their corresponding performance indicators. This will help in measuring the performance of every department and the organisation as a whole.

At the end of every month, the achievement is measured against the performance indicators provided in the plan and shortfalls or over-performance are analyzed and a corrective action taken where appropriate.

Further, quarterly meetings involving departmental heads will be held to evaluate progress on the agreed targets and recommend any further actions to guard against any deviations from the set priorities.

The following is a detailed RRA action plan for the 2011/2012 fiscal year, with their performance indicators and expected completion dates.

9. RRA ACTION PLAN FOR THE FISCAL YEAR 2011/2012

Strategic Direction 1: Maximisation of revenue mobilisation					
Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
Achieve total revenue target of Rwf 515.5 billion.	Enhance operational functions by ensuring that they have enough number of staff and other resources to handle tasks before for them.	Wider coverage of the tax base.	A mechanism to fill any identified staff gaps within a month developed and implemented. Staff gaps in tax audit, investigation, enforcement, accounting, reconciliation, risk management, business analysis and customs border functions filled without delay.	September 2011	HRA, DTD, CSD
	Identify measures to cover loopholes in the process of granting incentives.	Reduction in tax base erosion.	Measures developed and submitted at the tax policy level for consideration.	August 2011	DPR
	Analyse performance of major tax heads (PAYE, VAT) and propose ways to improve their performance.	Increase in the performance of PAYE and VAT.	Report submitted with recommendations.	October 2011	DPR
	Prepare a proposal to retake some of the decentralised taxes.	Increase in the performance of these taxes.	A proposal submitted to tax policy at MINECOFIN level.	December 2011	DPR, DTD

Strategic Direction 2: Service delivery					
Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
Strengthen business facilitation initiatives in domestic and cross border operations.	Establish more revenue collection and service centres.	Reduction in taxpayers' administrative burden associated with complying with tax and duty responsibilities.	RRA offices opened in NSSF premises in all districts and fully operational.	December 2011	Finance, DTD
			More banks contracted to receive tax payments on behalf of RRA.	December 2011	Finance
	Upgrade the CSR system to streamline its administration.	Reduction in time and cost faced by taxpayers when fulfilling their obligations.	Collection and accounting for CSR contributions fully enforced by RRA.	September 2011	DTD, Finance
	Implement electronic services.	Reduction in time, burden and cost faced by taxpayers when fulfilling tax obligations.	E-filing and payment implemented with all modules up and running including the integration aspects of CSR and RAMA collections.	March 2012	DTD, IT
			ASY-BANK implemented at Gatsata and Kabuye.	December 2011	CSD
			Electronic Single Window implemented at main customs offices.	April 2012	CSD
			Customs Management System (Asycuda World) implemented.	May 2012	CSD

Strategic Direction 2: Service delivery

Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
	Commence construction of One Stop Border Posts.	Facilitate cross border trade.	Construction commenced at Gatuna, Kagitumba, Ruhwa and Rusumo.	June 2012	CSD
	Ease cross border and transit procedures.	Improvement in trade facilitation.	Simplified trade regime extended at borders between Rwanda and Burundi, Tanzania and DRC.	May 2012	CSD
			Authorised Economic Operator project piloted.	December 2011	CSD
			Regional Customs Transit Bond Guarantee Scheme implemented.	February 2012	CSD
			RADDEX interconnectivity with TRA and OBR implemented.	March 2012	CSD, IT
	Conduct a joint EAC Regional Time Release Study.	Reduce transit and clearance time within EAC.	EAC regional time release study conducted and report submitted.	June 2012	CSD
	Initiate pre-arrival request for exemptions	Reduce clearance time for exempted goods.	Pre-arrival request for exemptions implemented.	December 2011	CSD
	Carry out a feasibility study to increase border posts threshold.	Guiding information available for decision making.	Feasibility study report submitted.	December 2011	CSD

Strategic Direction 2: Service delivery					
Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
Enhance taxpayers' education, communication and sensitisation.	Conduct focused taxpayers training programs by sector of activities and by category of taxpayers.	Improved understanding of tax matters by taxpayers.	Taxpayers' training and sensitisation plan fully implemented.	As per the training plan.	TPS

Strategic Direction 3: Encourage voluntary compliance and broaden the tax base					
Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
Further simplify tax systems and procedures	Develop a simplified tax declaration and accounting system for SMEs, translated in Kinyarwanda language.	Improving SMEs compliance levels.	A simplified tax declaration and accounting system for SMEs in place.	September 2011	DTD, TPS
	Draft a new tax regime for the identified SMEs.	Improving SMEs compliance levels.	Draft tax regime completed and submitted for consideration.	October 2011	DTD, LBS
Enhance voluntary compliance	Identify loopholes existing in tax laws and administrative procedures and recommend amendments.	Reduction of tax defaulters through avoidance.	<ul style="list-style-type: none"> - Loopholes identified and amendments drafted. - Number of appeal cases arising from interpretation of law reduced. 	December 2011	LBS
	Introduce electronic transaction devices (ETD) to manage VAT.	Reduce VAT evasion and increase its productivity.	ETD implemented by all large taxpayers and by at least 50% of medium taxpayers.	December 2011	IT, DTD

Strategic Direction 3: Encourage voluntary compliance and broaden the tax base

Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
	Integrate CSR software in tax system and harmonize declaration forms (PAYE and CSR).	Facilitate PAYE compliance enforcement and increase revenue for both PAYE and CSR.	<ul style="list-style-type: none"> - Tax and CSR systems integrated. - Forms harmonized and ready for use. 	March 2012	DTD, IT
	Acquire and implement electronic cargo tracking system.	Improve transit monitoring.	Electronic cargo tracking system implemented.	May 2012	CSD, IT
	Establish and implement a name and shame mechanism for non compliant taxpayers.	Increase taxpayers' compliance.	A name and shame mechanism for non compliant taxpayers implemented.	October 2011	TPS
Enhance management of tax arrears with a view to collect all due arrears and stop new ones from aging.	Enhance SIGTAS to deliver a single view taxpayer account. Waive off / suspend difficult tax arrears to enforce.	Keep and update accurate taxpayers' accounts. Overall reduction in the level of tax arrears.	100% of large taxpayers accounts, 70% of medium taxpayers accounts and 40% small taxpayers accounts updated and accurate.	May 2012	DTD
			All difficult tax arrears written off or suspended.	October 2011	DTD, CSD, DPR
Broaden tax base	Participate in a study aimed at widening the tax base.	Potential areas to widen the tax base indentified and appropriate actions taken.	Study completed and recommendations made.	December 2011	DPR

Strategic Direction 3: Encourage voluntary compliance and broaden the tax base

Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
	Connect RRA system to national ID registry office.	Speed up taxpayers' registration.	RRA system connected to national ID registry office.	February 2012	IT
	Develop a proposal to introduce a flat tax	Simplified tax system	A proposal developed and submitted for consideration	March 2012	DTD/P&R

Strategic Direction 4: Further strengthen the capacity of the organisation

Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
Increase efficiency in RRA's operations.	Carry out a study on current RRA performance and propose reform initiatives to improve efficiency.	Increased RRA performance and enhanced quality service to our customers.	Study completed, findings and recommendations presented to RRA management and the BOD.	October 2011	CG's office (RMU) HRA
Staff development.	Train staff in areas that will impact revenue mobilization, customer service and management functions.	Improved staff performance and service delivery.	Training delivered as per the RRA Training Plan.	July 2011 to June 2012	RRA TI
	Organize benchmarking and attachment programs for staff in revenue collection operations in best performing Revenue Administrations.	Increased staff confidence and performance due to shared best practice.	Staff attached to HMRC, SARS or one of EARA administrations.	July 2011 to June 2012	RRA TI

Strategic Direction 4: Further strengthen the capacity of the organisation

Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
	Create and implement a structure or framework for On The Job Training.	Enhance staff skills.	On the Job Training structure established and implemented in the organization.	January 2012	RRA TI
Improve working environment.	Construction and rehabilitation of RRA offices and providing other working facilities.	Quality office accommodation and facilities maintained throughout the RRA.	Construction and rehabilitation of at least 5 offices completed.	August 2011	HRA
	Hire consultancy service on electronic filing and Archive management.	A good Archive management system.	Automated archive system in place.	May 2012	HRA
	Carry out a study for the expansion of RRA Training Institute.	Having RRATI with high accommodation capacity.	Study completed.	January 2012	HRA, RRATI
Enhance RRA ICT systems to support and improve current services.	Replace RRA servers and install new ones.	Ensure RRA business continuity.	High capacity servers in place and working.	October 2011	IT
	Enhance RRA networking system.	Transmission speed increased.	RRA customs and border posts networking system rehabilitated.	October 2011	IT
	Upgrade SAGE to include document management modules.	Improvement in service delivery to internal and external customers.	New SAGE module in operation.	March 2012	IT, Finance

Strategic Direction 4: Further strengthen the capacity of the organisation

Strategic Objectives	Activities	Expected output	Performance indicators	Timeline	Responsibility centre
	Acquire and use new HR management software.	Increase HR efficiency.	New HR software acquired and utilized.	August 2011	IT, HRA
	Connect RRA to RITA Government network.	Increase in on-line services with Government institutions.	RRA connected to RITA Government network.	May 2012	IT
Keep accurate and update RRA's data through use of existing software.	Prepare RRA's data by sector of activity.	Easy access to required data resulting in quicker data analysis.	RRA's data by sector of activity established.	June 2012	DPR

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