

# **REPUBLIC OF RWANDA**

## **Rwanda Revenue Authority**



# **ANNUAL REPORT 2004**

**Kigali, May 2005**

*Taxes for Growth and Development*

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## **1.0 REMARKS BY THE COMMISSIONER GENERAL**

This report highlights on activities undertaken by RRA in the year 2004 towards the fulfillment of its goals. It also covers priorities and programs for the year 2005. An assessment of the RRA objectives and priorities set out at the beginning of the year 2004 in the RRA Corporate Plan indicate that the performance was satisfactory.

On an institutional level, the year 2004 was a year characterized by fundamental reforms. The former tax head structure that had characterized Rwanda revenue Authority since its creation in 1998 was swept aside and a new segmented functional structure established.

The past year marked an important milestone in the progress of transforming RRA that firmly entrenched our commitment to service excellence and enhancing country's financial capacity to improve the quality of life for all citizens. The foundation of this transformation embraces our contribution towards national development, an achievement in which both the government and citizens have a mutual responsibility in order to sustain democracy and foster development.

The core mandate for RRA in the past year was to meet its revenue target set by the government of Rwanda. We are pleased to report that we were able to raise the sum of Rwf 136.2 billions for fiscal revenues and Rwf 3.5 billions for non-fiscal revenues against targets of Rwf 126.3 billions and Rwf 2.8 billions respectively. A more focused enforcement strategy underpinned the organization's approach to revenue collection, which entailed addressing areas of high risk through intelligence gathering. Overall, this translated into an improved compliance environment both within and outside RRA.

To meet and sustain these onerous targets, RRA had to rollout the much needed transformation in the area of business processes and physical infrastructure. The Standard Integrated Government Tax Administration System (SIGTAS) was procured, HR and Pay roll software installed and Asycuda++ implemented in Customs department. Processes and procedures were updated and new ones developed to suit our business needs. Construction of a one stop center that will house all the RRA departments under one roof was initiated and the construction of RRA Tax Administration Institute tendered.

It was also a year that signaled fundamental changes in the area of Customs from the largely manual systems to automation and adoption of the risk based intelligence driven approach. This was further enhanced by continuing upgrade of border posts, which improved the services rendered to our stakeholders including the business community.

Different measures were pursued to enhance the effectiveness of RRA financial systems and these included the review of financial regulations and procurement procedures. Furthermore, Commissioner General's instructions were issued on revenue reconciliations to complement the financial regulations. A new development for the year was the introduction of retention scheme in which the RRA received funds for its operating costs as a ratio of revenue collections directly from the Central Bank. The ratio was fixed at a rate of 2.6% of revenue collected and this significantly increased the RRA operational efficiency.

RRA recognizes the critical importance of supporting and developing its human resource and this has formed the basis for transformation which aims to make RRA the employer of choice. A key component of the staff development strategy included improving employee participation and strengthening multi disciplinary team work approach. This was further complemented by implementing a needs-focused training plan that was designed on the basis of the identified skills gap.

In view of the key reforms in the Authority and the growing customers' requirements, RRA solicited the involvement of different stakeholders including the business community in the reform process to ensure that concerns were addressed in a general perspective. Particularly, different tax laws were reviewed and consultations with stakeholders and the business community made. RRA partnership with other regional and international bodies was continuously nurtured through regular exchange of information and participation in different forums where issues of mutual interest are considered.

The key challenges during the past year included initiating the innovative ways of reforming and modernizing the tax system, investment in human resource reorganization and development and building both regional and local partnership with various stakeholders and taxpayer groups.

Despite the aforementioned challenges, it is pleasing to report that our effort during the year 2004 was generously rewarded. RRA's major objectives were achieved and overall, the Authority was successful. It is encouraging to note the emerging cultural change among the business community that is transforming the perspective people have on taxes and their role in national development. We believe that different things are responsible for this cultural change but obviously the legitimacy of the Government is a major factor. But there are others, such as the perception that RRA is an efficient service organization that handles taxpayers' money responsibly, the RRA track record in bringing smugglers and tax evaders to book and so forth. This fundamental change is creating a broad and solid foundation on which we can build a bright future.

RRA would like to extend its sincere heart felt thanks to the Minister for Finance and Economic Planning and other stakeholders for their active involvement and support, without which RRA's achievement would not have been possible.

**Henry K. GAPERI**  
**COMMISSIONER GENERAL**

## 2.0 OVERVIEW ON THE ECONOMIC PERFORMANCE

The year 2004 saw an improvement in the performance of the Rwandan economy. There was an improvement in GDP growth, exports strengthened, and fiscal and monetary policy was well managed. The current estimates suggest that GDP growth for 2004 was 4% as compared to 0.9% in 2003.

The economy was however under pressure from another year of bad rains which manifested itself in a poor harvest, rising food prices and high food imports. Agriculture saw no growth in 2004, and the food crop actually declined for the second year. The economy also suffered, from the impacts of the domestic electricity shortage and rising fuel costs, which drove up the cost of doing business in Rwanda.

Rwanda's economic performance strengthened in 2004 despite the effects of the electricity shortage, the rising cost of oil and the bad rains. Overall growth was driven by construction activity and rapidly developing tourism, travel and communications sectors.

Consumer price inflation in 2004 remained above 10% for the entire year. This was due to the rapidly rising food prices following bad harvests and the hike in international oil prices which fed through to increase the cost of getting goods to market.

Details on individual sector performance for the year 2004 are shown in Table I that follow.

**Table I: Sector Performance 2001 – 2004, Figures in millions of Rwf**

Sector	2001	2002	2003	Growth rate	2004 proj	Growth rate
<b>Agriculture</b>	260.06	299.09	286.93	-4.1%	287.05	0.0%
Of which: Food crops	218.19	255.90	244.39	-4.5%	241.79	-1.1%
Export crop	7.82	8.15	6.49	-20.4%	8.96	38.1%
Livestock	23.94	24.66	25.40	3.0%	25.70	1.2%
<b>Industry</b>	106.24	112.53	120.47	7.1%	128.80	6.9%
Of which: Construction	53.04	56.34	65.13	15.6%	70.02	7.5%
Manufacturing	50.18	53.11	52.09	-1.9%	55.32	6.2%
Food, beverages, tobacco	41.08	43.30	41.01	-5.3%	43.29	5.6%
Mining & quarrying	1.41	1.33	1.21	-8.6%	1.88	54.6%
Electricity, gas, water	1.62	1.75	2.03	15.9%	1.59	-22.0%
<b>Services</b>	215.00	224.06	234.67	4.7%	253.24	7.9%
Wholesale, retail trade, rest. & hotels	47.60	48.15	48.30	0.3%	48.77	1.0%
Transport, storage, communication	42.45	45.34	46.39	2.3%	52.00	12.1%
Finance, insurance, business	15.18	15.68	17.31	10.4%	20.90	20.8%
Public administration	44.55	45.17	48.03	6.3%	52.16	8.6%
Other services	60.11	64.35	14.49	-77.5%	16.25	12.1%
<b>GDP</b>	580.16	635.60	641.36	0.9%	666.04	3.8%

Source: MINECOFIN, Statistics Department

## **2.1 Agriculture**

Rwandan agriculture continues to suffer from a lack of irrigation and water storage systems and as such remains highly vulnerable to the pattern of rain. Indeed, rains have been so bad recently that food crop production has declined for two consecutive years.

Livestock numbers increased on the whole in 2004, and this is partly due to the improved animal management techniques and loan facilities that were extended to farmers. However animal products like milk, meat, fish, eggs and honey are still below the country's growing need.

## **2.2 Industry**

The industrial sector as a whole is estimated to have grown by almost 7% in 2004. This growth came despite the negative effects of the double energy crisis accruing from the rising fuel costs and electricity shortage, and new competitive pressures from entering into the COMESA free trade area in January 2004.

Growth was led by the construction sector and its supporting industries, such as furniture and chemical manufacturing. Private dwellings accounted for a large proportion of total construction, together with road building and rehabilitation projects such as the 12 km Kigali road, the Kigali – Kayonza road and the Kigali – Butare – Akanyaru road. 2004 also saw the completion of many large construction projects such as the Caritas and BDCI buildings, and the 3 new hotels (Intercontinental, Kivu Sun, and Akagera Game Lodge).

## **2.3 Service sector**

The services sector registered the strongest real growth in 2004 of almost 8%. When a range of indicators are considered, it is evident that growth was especially strong in the tourism, transport and communications sectors.

In terms of tourism, statistics from the ORTPN show that total visitors to national parks increased by 63% in 2004 with Rwandan visitors growing from 5,880 to 12,601 and foreign visitors (both resident and non-resident) climbing from 10,658 to 14,397. These figures are encouraging and suggest that the Rwandan efforts at tourist promotion are bearing fruit. Indeed, figures from the Balance of Payments support this by showing revenue from tourism increasing by 45% and this has a positive impact on the tax base.

This growth in tourism is partly an explanation, together with increased business travellers, for the 13.6% increase in total passengers passing through Kanombe airport. These passengers are increasingly choosing to fly Rwandair, which has recently increased the number of routes it serves and has managed to grow its passenger numbers by 77% in 2004. Rwandair is the largest player in the Rwandan transport sector and contributed significantly to the 13% rise in turnover declared at the RRA by that sector for 2004.

## **2.4 International trade**

### **2.4.1 Exports**

Rwanda's traditional exports were again at the helm of exports to other countries. There was an increase of 55% in exports in 2004 compared to 2003. Coffee and mineral products were

the major exports and they contributed 32.9% and 29.9% respectively of total exports in 2004. This can be attributed to the increase in value of coffee exported by 112.2% due to the good weather conditions for coffee hence increase in the volumes and increased use of coffee washing machines that increased the value of exported coffee. For mineral products, the increase in value was 163% compared to 2003.

This increase in exports could mainly be attributed to the increase in prices on international market. This however demonstrates the continued dependence on a few commodities which face serious competition from other producing countries, and so the need to encourage diversification. Detailed statistics on performance of exports are shown in Table II below.

**Table II: Trend of Exports 2000-2004 (Value in millions of USD)**

<b>Exports (fob)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Coffee	22.52	19.36	14.65	15.01	32.2
% of total	32.62	20.70	21.75	23.81	32.9
Tea	24.28	22.71	22.02	22.52	21.55
% of total	35.16	24.28	32.69	35.72	22.02
Mineral products	12.58	42.63	15.87	11.09	29.27
% of total exports	18.22	45.57	23.57	17.59	29.91
Hides & Skins	0.43	0.78	2.64	3.78	3.39
% of total exports	0.62	0.84	3.92	6.00	3.46
Pyrethrum & Chincona	0.00	1.77	1.05	1.28	0.65
% of total exports	0.00	1.89	1.56	2.03	0.66
Other exports	9.17	5.14	8.53	9.12	10.80
% of total exports	13.28	5.49	12.66	14.46	11.03
Adjustments	0.07	1.15	2.60	0.25	
<b>TOTAL fob</b>	<b>69.05</b>	<b>93.54</b>	<b>67.36</b>	<b>63.05</b>	<b>97.9</b>

**Source: BNR, Exchange and BOP Department**

## 2.4.2 Imports

Imports continued to increase by 18.4% in 2004, the volume of energy products and capital goods grew higher in response to the constant electricity shortage in 2004 which necessitated the increased import of generators and fuel. The composition of imports changed compared to the year 2003 with finished products increasing by 9.7% while semi finished products reduced

by 9.8%. Food imports also went high due to the bad harvests, and this led to high food price inflation. These factors have contributed greatly to increased revenue from international trade.

**Table III: Trend of Imports 2000-2004 (Value in millions of USD)**

<b>Imports (CIF)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Capital goods	33.03	30.61	37.92	40.72	52.2
Intermediate goods	43.32	43.75	45.30	43.84	39.54
Energy products	44.92	41.22	37.89	40.53	68.64
Finished products	137.26	143.78	124.41	134.18	147.16
Adjustments	49.14	33.03	30.48	30.98	36.23
Total imports CIF	307.68	292.38	278.51	290.25	343.73
Fret & Assurance	80.79	67.36	74.36	72.50	85.86
Total imports fob	226.89	225.02	204.15	217.74	257.86

**Source: BNR, Exchange and BOP Department.**

### 3.0 REVENUE PERFORMANCE IN 2004

#### 3.1 Fiscal Revenue Performance

In 2004, revenue performance including Treasury Credit Cheques amounted to Rwf 136.0 billions against the target of Rwf 126.3 billions. This is an achievement of 107.7%, or a performance rate of 106.6% exclusive of the Treasury Credit Cheques. Performance registered across all the tax heads was satisfactory.

Direct taxes registered a good performance of 102.1% or Rwf 774.9 millions higher than the target set for the year. This was on account of the reforms undertaken under PAYE since the beginning of financial year 2003. Most fringe benefits were brought under the tax net and there was rigorous enforcement on international organisations and other institutions especially on their staff that previously did not pay this tax. There were also improvements in enforcement actions and close monitoring and monthly follow up of returns under this type of tax, more specifically on the top taxpayer who contribute more than 70% of PAYE. In addition, there was strong enforcement action on non compliant corporate taxpayers that resulted in the collection of recoverable arrears.

Taxes on international trade registered a satisfactory performance of 105.9% or Rwf 1.5 billions above the target. This was attributed to substantial increase in the CIF value of imports during the year 2004 of about 27.7% as a result of depreciation of the Rwanda franc against other major trading currencies. The good performance was further due to more than projected increase in volume of imports between 2003 and 2004 of about 37.8 %. Outturn from Magerwa collections for the fiscal year 2004 was also good and performance registered an achievement of about 26.4 % above the target.

Good performance was also a result of improvement in customs management systems especially through effective enforcement of laws relating to customs like warehousing limits, clearing agency regulations and enforcement of special regimes.

Taxes on goods and services on the other hand registered an impressive performance for the financial year 2004 of about 9.4% above the target. This was attributed to the increase in sales of some of the excisable products especially Beers, Petrol, Cigarettes, Lemonade, vehicles and powdered milk that all performed above their targets.

Further more, turnover taxes exceeded the target by 10.6% on account of the following;

- Expanded taxable base from 3,400 taxpayers registered in 2003 to 3,778 VAT taxpayers registered in the financial year 2004; on the whole, VAT taxpayers registered both in Internal Revenue Department and Large Taxpayers Department were 3,778 and this translates into 11.1% growth in 2004.
- Out of those registered in 2004, 805 VAT taxpayers declared more than 15 million turnover in Internal Revenue Department and 210 in Large Taxpayers Department;
- There were also vigorous enforcement actions through the '*VAT stamping program*' and regular monitoring of VAT returns;
- Inflation rate also increased during the year and this had a positive impact on turnover and turnover taxes in nominal terms.

Overall, Taxes on Goods and Services contributed the largest share of revenues representing 52.1% of the total, with Direct Taxes and Taxes on International Trade contributing to 28.3% and 19.6% respectively.

Detailed collection statistics against targets for the year 2004 are shown in Table IV below. The table further compares performance of the years 2004 and 2003 for different types of taxes.

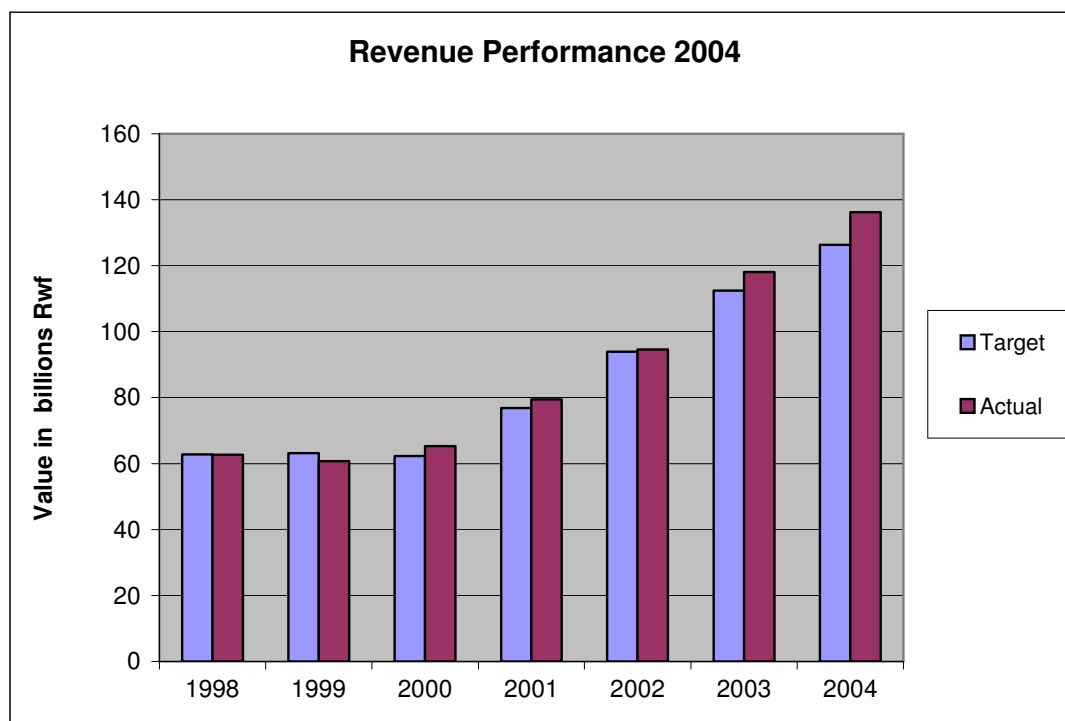
**Table IV: 2004 Revenue receipts against targets compared to 2003 (Value in Millions Rwf)**

	Target (1) 2004	Actual receipts 2004	% Achieved	Actual 2003	% of achievement 2004/2003
Direct Taxes (2)	37,327.3	38,102.2	102.1%	35,209.8	108.2%
Turnover Taxes (3)	42,281.5	46,781.0	110.6%	38,308.1	122.1%
Excise Taxes	18,495.0	19,507.2	105.5%	16,240.1	117.8 %
Road Fund (4)	3,371.9	3,902.3	115.7%	3,065.7	127.2%
Taxes on International Trade (5)	24,835.2	26,301.8	105.9%	22,115.1	118.9%
<b>Total Tax Revenues</b>	<b>126,311.0</b>	<b>134,594.5</b>	<b>106.6%</b>	<b>114,938.8</b>	<b>117.1%</b>
<b>Total Tax Revenues (TCC Inclusive)</b>	<b>126,311.0</b>	<b>136,045.3</b>	<b>107.7%</b>	<b>118,712..1</b>	<b>114.6%</b>
<b>Plate numbers registration fees (Non Fiscal.)</b>		<b>0.3</b>		<b>120.6</b>	
<b>Total revenue (including Plate numbers registration fees</b>	<b>126,311.0</b>	<b>136,165.9</b>	<b>107.8%</b>	<b>119,093</b>	<b>114.3%</b>

- Notes:** (1) Targets derived from revenue targets for 2004 by the GoR prepared in Nov, 2003.  
(2) Includes taxes on personal incomes and taxes on property.  
(3) Figures for VAT net of amounts paid for refund.  
(4) Figures include tax de péréquation, tax à l'essieu and tax péage route.  
(5) Figures include Magerwa fees.

The above table illustrates the positive performance registered by the Authority in achieving the revenue targets for the year 2004. Further analysis shows that such performance has been sustained by the Authority from the year 2000 to date as illustrated in the Graph below. Performance missed the target only in 1999 on account of low volume of imports in 1999 due to the effect of El Nino, and high petroleum prices on international markets at the time.

**Graph I: Comparison of actual revenue performance against targets, period 1998 - 2004**



### 3.2 Comparison between 2004 and 2003 Revenue Performance

In comparison with the year 2003, the performance in 2004 is higher than that of 2003 by Rwf 17.5 billions and represents 14.7% growth between the two fiscal years. Overall detailed analysis reveals the following:

Revenue collection on taxes from international trade registered a significant performance for the year 2004 and exceeded the target by Rwf 4.2 billions, which represents 18.9 % higher. This was largely attributed to an increase in CIF value and volume of imports between the two periods of about 27.7% and 37.8% respectively, and the depreciation of the Rwandan franc as depicted by the inflation rate of nearly 12% in 2004.

Comparison between 2004 and 2003 for taxes on goods and services indicates an increase of about Rwf 12.5 billions, which translates into 22% revenue growth. Many factors are responsible for this but the major ones include improvement in administration of VAT particularly enforcement, good performance of some excisable tax instruments particularly beer and positive impact of inflation on revenue.

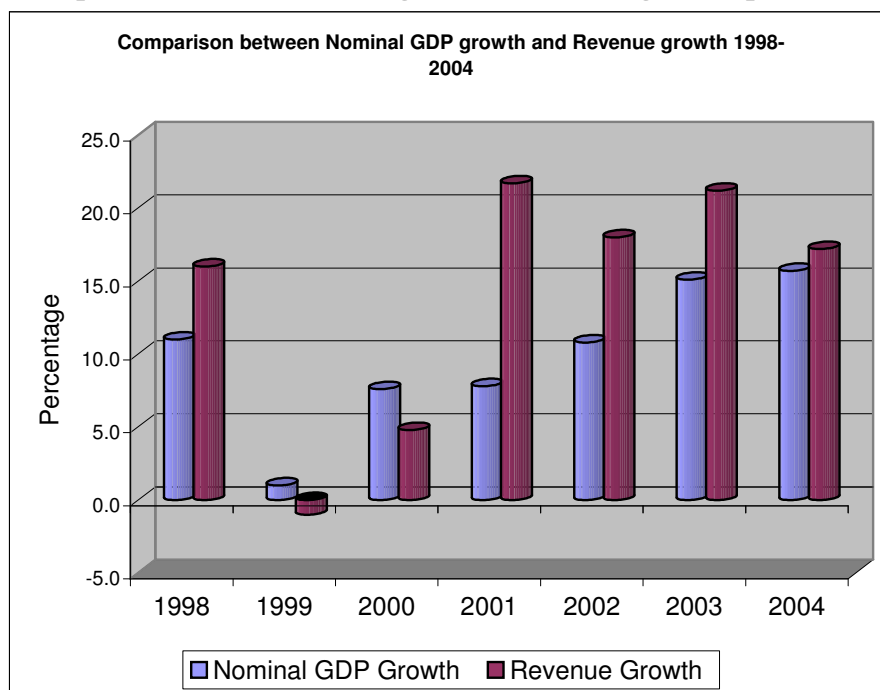
Direct taxes on the other hand registered a satisfactory performance of about Rwf 2.8 billions more than in 2003 and this represents 8.2% revenue growth between the two periods. This was on account of the higher growth in the services sector which contributed to higher turnover declared in the year 2004 than in 2003, increased efficiency in audit activity, strong enforcement measures in recouping the collectible arrears and assessed audits, and continuous netting of the staff under PAYE.

### 3.3 Revenue growth and nominal GDP growth

While it is evident that revenue performance over the last 7 years has been satisfactory, it is also important to compare growth in nominal GDP to growth in revenue over the period. Growth in the economy, under normal circumstances translates into a corresponding growth in revenue as long as there is efficiency in tax administration.

Graph II below compares Nominal GDP growth to revenue growth since the inception of RRA. From the Graph, it is evident that the rate of revenue growth over the years has been higher compared to the Nominal GDP growth. Several factors can be attributable to this tendency, but of course the major ones were improved performance of the economy and increased effectiveness of the tax administration.

**Graph II: Comparison of nominal GDP growth to revenue growth, period 1998 – 2004**



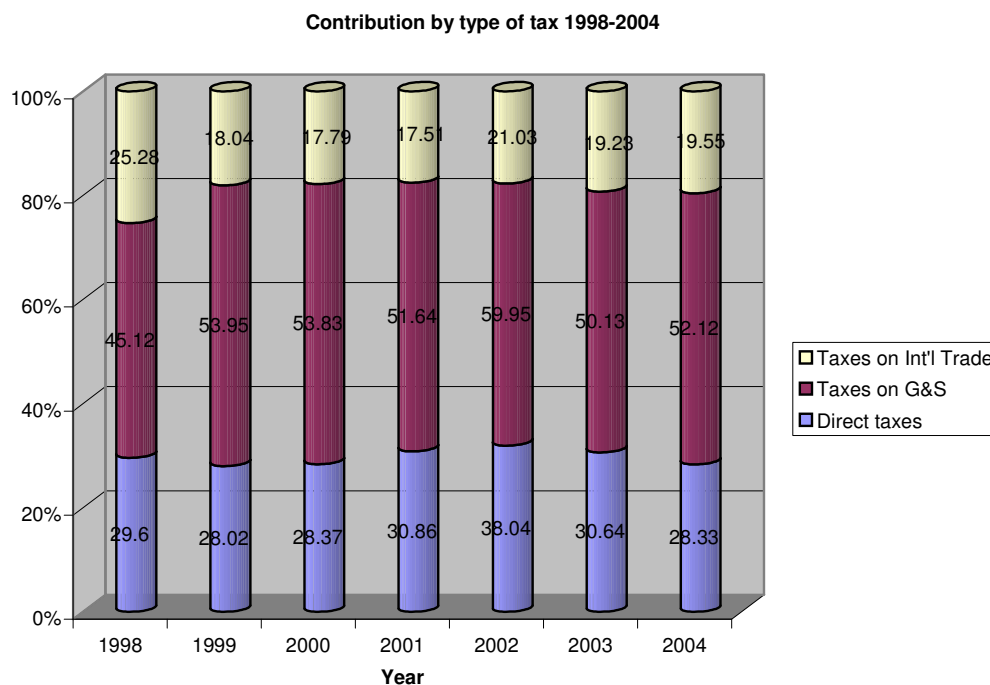
### **3.4 Contribution of revenue performance by type of tax; 1998 – 2004**

Graph III below shows the percentage of revenue contribution by type of tax. As evident from the Graph, Taxes on Goods and Services contributed 52% of total revenues in the year 2004, and this has been the trend for the past six years. This highlights the important role they are playing and indicates a shift from reliance on taxes on international trade to domestic revenues.

Additionally, this indicates the value that the Rwanda Government attaches to Regional integration commitments because part of the reasons for the decline in international trade taxes is due to effects of preferential import duty rates on products originating from COMESA member countries.

The Graph also shows the growing importance of direct taxes which also contributed about 28.3% of the total revenues in the year 2004, irrespective of reduction in the highest marginal rate from 40% to 35% since the start of the financial year 2003. This further indicates the improvement in the effectiveness of the tax administration through enforcement and audit activities coupled with improvement in taxpayer identification and registration.

Taxes on international trade also contributed about 19.5% of the total revenues for the year 2004. This is mainly attributed to substantial decline in import duties collected from goods originating from COMESA Member States.

**Graph III: Contribution of major types of taxes; 1998 - 2004**

### 3.5 Contribution by department

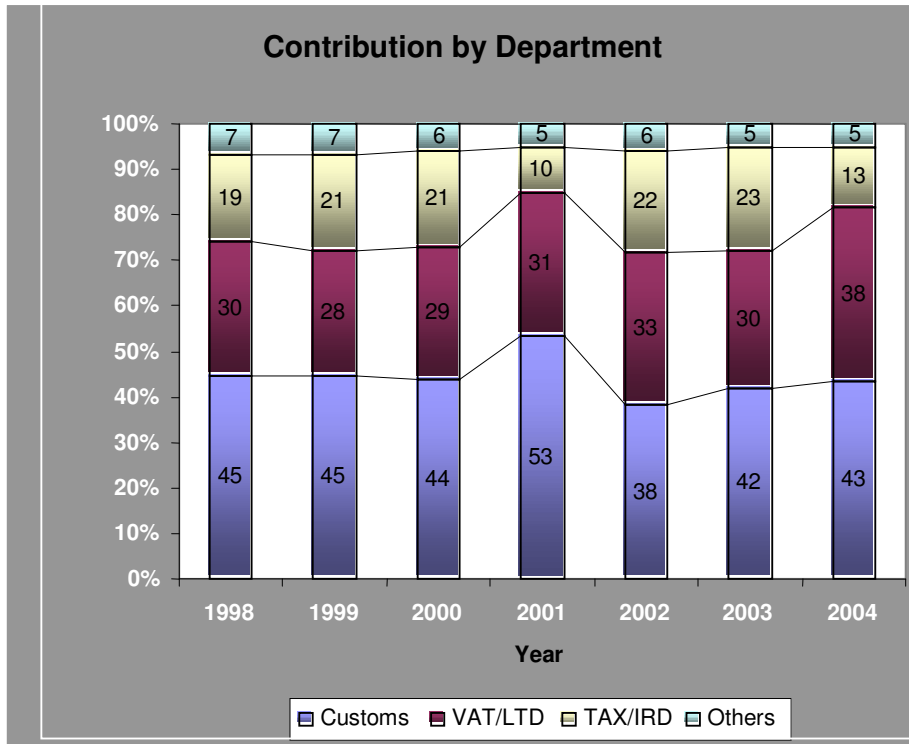
The year 2004 was a year of fundamental reforms. The former tax head structure that had characterized Rwanda revenue Authority since its inception in 1998 was swept aside and a new segmented functional structure established.

The restructuring and modernization endeavours and the consequent establishment of the new functional structure culminated into the creation of Large Taxpayers Department (LTD) and Internal Revenue Department (IRD) after reorganization of the former VAT and Income Tax Departments. This effort started yielding fruit immediately since less than 20% of the taxpayers that contribute about 80% of total domestic taxes were now being intensively monitored and appropriately served.

Since 1998 and even before, the role of the Customs Department has been very significant in terms of contributing the biggest share of revenues. The percentage contribution of Customs department amounted to 43% in 2004.

Towards the overall revenue collected during the year 2004, Large Taxpayers Department contributed about 38%, while Internal Revenue Department and Others including MAGERWA and Road Fund contributed about 13% and 5% respectively as shown in the graph below.

**Graph IV: Departmental contribution; 1998 – 2004**



### 3.6 Non-Fiscal Revenue Performance

Non-fiscal revenue performance for the financial year 2004 indicated a positive performance as more non-fiscal revenues were collected. Significant collections were registered on non-fiscal revenue tax heads like fees and fines, revenue from public property and assets as well as administrative fees. The table below highlights this achievement.

**Table V: Performance of Non Fiscal Revenue (Value in Millions Rwf)**

Item	Actual Receipts 2004	Actual receipts 2003	%ge Achievement 2004/2003
Fines and Fees	438,837,940	256,950,128	170.79%
Revenue from Public Property and assets	510,454,359	300,977,047	169.60%
Administrative Fees	2,301,789,066	2,150,000,016	107.06%
Total	3,251,081,365	2,364,434,890	137.50%

Further analysis reveals that the overall performance in 2004 in relation to non-fiscal revenues was significantly higher by about 37.5% in comparison with 2003.

Greater performances were substantially reflected on fines and fees as well as revenue from public property and assets where the percentage growth between the two periods was 70.9% and 69.6% respectively. This indicates that public properties and assets could have significantly increased leading to more revenue collections. The major contributors were increased enforcement of law and order especially road traffic regulations and change of passports which resulted increased sale of new passports during the year.

**4.0 EXPENDITURE OUTTURN****Table VI: Total RRA Expenditure in 2004 (Value in Millions Rwf)**

<b>Expenses</b>	<b>Budget for the Year</b>	<b>Actual for the Year</b>	<b>Variance</b>
<b>1. Recurrent Expenditure</b>			
Total Personnel Expenses	2, 964, 410,364	2,845,035,661	119,374,703
Staff Welfare	4,268,678	11,996,320	-7,727,642
Travel and Subsistence Allowances	50,592,110	88,386,250	-37,794,140
Transport Coordinators Expenses	77,903,945	212,377,493	-134,473,548
Maintenance and Repair Costs	765,100	49,075,820	-48,310,720
Office Supplies	49,413,119	179,894,514	-130,481,395
Miscellaneous Expenses	79,571,643	211,011,681	-131,440,038
Audit and Investigation Expenses	26,838,792	33,100,111	-6,261,319
Taxpayer Education Expenses	11,716,061	86,306,850	-74,590,789
Staff Training Costs	11,805,551	112,460,607	-100,655,056
Financial Fees	1,000,000	404,596	595,404
Professional Fees	16,675,806	82,191,529	-65,515,723
Board Expense	0	2,201,300	-2,201,300
<b>2. Capital Expenditure</b>	301,928,228	428,989,765	-127,061,537
<b>Grand Total</b>	<b>3,596,889,397</b>	<b>4,343,432,497</b>	<b>-746,543,100</b>

**4.1 Explanations on Variances:**

As indicated on the above table, the total forecasted budget was exceeded by Rwf 746.5 millions. However, there were both positive and negative variances on individual budget items and explanations on each are provided below:

1. **Total Personnel Expenses:** The budget on this item was under spent by Rwf 119.4 millions representing 4%. This was largely attributed to savings on staff recruitment as a result of modernization and merging of functions, and less expenditure on overtime and medical allowances than the forecasted budget.
2. **Staff Welfare:** On this item over spending was caused by expenses on sports activities of Rwf 6,582,485 which had not been budgeted for.
3. **Total Travel and Subsistence:** It was very clear that all the budget lines within this item had been under budgeted except one line concerning Travel inside the Country that was over budgeted by Rwf 8,166,282. The total actual movements exceeded the budget by Rwf 37,794,140.
4. **Total Transport Coordination Expenses:** All the activities within this item had been under estimated hence the variance of Rwf 134,473,548 above the budgeted costs.
5. **Office Supplies:** Items such as Customs officers' uniforms and Office equipment plus Furniture where Rwf 17,319,475 was spent had not been budgeted for. Other activities such as Printed Matter and Stationeries were under estimated during budgeting hence the variance of Rwf 130,481,395.
6. **Miscellaneous Expenses:** The big percentage of this variance was due to telephone expenses where a total of Rwf 138,507,809 was spent against the Target of Rwf 35,188,170. While Rent and Electricity budget was still insufficient, there were no provisions for water where a total of Rwf 9,928,409 was spent. Other unspecified costs took a total of Rwf 25,123,050 against the set budget of Rwf 31,307.
7. **Total Training for Taxpayers:** The expenses involved were comparatively higher than what had been earlier planned; this is evident with total expenses Rwf 86,306,850 over and above the budget of Rwf 11,716,061.
8. **Total Training of Staff:** The amount ( Rwf 100,655,056) spent for Staff Training over and above the budget provisions was fully funded by DFID.
9. **Professional Fees:** While the budget provisions for legal fees exceeded actual movements by Rwf 768,922 on one hand, it is evident on the other hand that technical support, security fees and cleaning, actual budget movements exceeded what was provided with a very considerable margin and hence the deficit of 65,515,723.
10. **Total Board Expenses:** There was no budget for this item in the year 2004 however; a total of Rwf 2,201,300 was spent. This was funded by squeezing out of other items that could have excess budget over the actual expenses.

11. Total Repair and Maintenance: Apart from Office Furniture Maintenance which was provided with a budget of Rwf 765,100, other issues had not been budgeted for, though a total of Rwf 49 million was spent. A big percentage of this sum was spent on repairing of RRA office premises of Gatuna, Gitarama, Ruhengeri, Ruhwa and Kibuye.
12. Total Audit and Investigations: The total expenses exceeded what had been planned by Rwf 6.261.319. These expenses are associated with payments to informers and RPD anti-smuggling operational fund. There was over spending which is attached to the importance given to that particular activity.
13. Total Capital Expenditure: The Budget provided by MINECOFIN was quite insufficient compared to the requirements by RRA in the year 2004. Only Rwf 301,928,228 was provided and the total expenditure was Rwf 428,989,765 during the year. The MINECOFIN provided for little budget, but it paid for the vehicles which were purchased in the year. Another source of funding was DFID which provided for the computers that were bought.
14. The total overspending of Rwf 746,543,100 reflected on the above table relates only to the budget that was approved by the parliament. However, the budget approved by the parliament excludes other sources of funds that were available for spending during the year 2004. When these other sources of funds are taken into consideration worth Rwf 603,649,749, the budget balances with a deficit of Rwf 142,893,351. The detail of other sources of funds is shown on the table below:

**Table VII: Other Sources of Funds available in 2004 (Value in Rwf)**

S/N	SOURCE	AMOUNT
	Grant from DFID	186,541,982
	Disposal Vehicles	52,779,256
	Replacement Costs	252,574,963
	Road Maintenance Fund	16,573,460
	VAT Refund Account	59,000,000
	PSI Account	36,180,088
	<b>Total</b>	<b>603,649,749</b>

## **5.0 OTHER ACHIEVEMENTS MADE DURING THE YEAR 2004**

RRA undertook various administrative measures during the year 2004 to ensure that the corporate objectives of the organization are achieved. Most of those measures are continuous and are intended to direct the organization to the planned path but others may be executed to address particular circumstances. Below are the major activities that were pursued during the year 2004.

### **5.1 Restructuring and Modernization**

From the year 2003, the RRA started a reform and modernization program to review its structure, staffing levels and processes. The proposed structure envisaged merging the Income tax and VAT departments to form a large taxpayers department and the Internal Revenue department and this was successfully executed in the first quarter of 2004 when RRA implemented the new functional structure.

A modernization committee was established to review the RRA processes and procedures and establish areas for improvement in view of the structural reforms. Core tax administration procedures were redesigned and implemented in the context of the new structure. These procedures cover taxpayer registration, returns reception and processing, non-filer monitoring and assessment, audit, collection and enforcement. New processes and procedures were also developed particularly in those areas where computerization was being introduced.

RRA further restructured its upcountry operations following the reform and modernization effort. A Provincial Co-ordinator was appointed for every province and given the responsibility to oversee all the RRA operations at the provincial level. This brings together all the VAT, Income Tax, RPD and Customs activities under the responsibility of the provincial coordinator. This helped in integrating and improving the efficiency of our services at provincial level. To enable build the capacity of these co-ordinators, they underwent training in all aspects of tax administration, and they were greatly empowered to head provinces.

Following reform and modernisation program recommendations, a unit in charge of quality assurance was set up in the Department of Quality Assurance, which is also responsible for internal audit and internal affairs. This unit is headed by a quality assurance manager. The Unit will help in developing quality standards for the systems, policies and procedures of the Authority.

The Human Resource department was restructured to incorporate the aspect of human resource strategic planning and policies. The Human Resources Division was split into two to form Personnel Administration Division and Human Resources Planning and Policies Division. Day to day management of RRA staff was left to the Personnel Administration Division while Human Resources Strategic Planning was transferred to the newly formed Division. Strategic skills improvement strategy was designed, job analyses completed and job descriptions finalized.

## **5.2 Enhancing operational Systems through Computerization**

The RRA underwent massive computerization program during the year 2004. The RRA hardware needs were re-assessed and hardware purchase plan executed. The Local Area Networking for Customs HQ, Gikondo and Kanombe was completed. Wide Area Network was introduced and all RRA buildings linked in single enterprise network.

New HR and payroll software was installed in last quarter 2004. ASYCUDA++ was launched in November 2004 and has to date proven to be a complete success. Over 200 entries per day are being input into the system compared to 85 entries that were being processed previously. Significant reductions in clearance times for imports have been made and the Direct Trader Input concept has been successfully implemented.

The Standard Integrated Government Tax Administration System (SIGTAS) was procured and installed during the year 2004. This was followed by customization of the product and training of the technical personnel.

The Government ceased to work with the PSI services in Rwanda on 30<sup>th</sup> June 2004, and this required the Authority to strengthen the customs valuation unit to ensure a smooth transition. Customs Valuation team was trained and reinforced to manage the tasks and the valuation database was upgraded. The WTO Customs Valuation Agreement was enacted and WTO procedures have been in effect since January 2004.

## **5.3 Capacity Building**

Considerable training was conducted during the course of the year with adviser assistance, and many other basic, advanced and specialised training courses were delivered to some staff. Some 349 officers were given basic training, 6 officers were sent to CATA for tax inspectors' course and advancing management potential, 6 trainees sent to SATI on tax administration courses, 2 trainees sent to SATI on Local Government taxation, 2 trainees sent to University of Sydney Law School, 20 trainees sent to Kenya Revenue Authority for advanced audit training, Accounting and financial management training was delivered to 20 Finance Department accountants, Training for Finance staff was done on amended Financial Regulations, and RRA programmers trained in SIGTAS system, Oracle programming tools and introduction to Linux.

Overall, there were 24 training courses during the year of which 7 were overseas training. The total number of staff that benefited from training was 405, which included 369 that benefited from basic courses, 34 benefited from advanced and specialized courses and 2 from long-term specialized courses.

## **5.4 Enhancing the quality of Customer Service**

During 2004, several consultative meetings with Taxpayers, both small and large were organised. Workshops at provincial level were also organised through Tax Advisory Councils.

Key taxpayer awareness activities included organisation of the National Taxpayers Day that involved media presentations, publications and other events and activities aimed at promoting

taxpayer education and increasing voluntary compliance by taxpayers. In addition, the RRA used both the print and electronic media in providing useful tax information to taxpayers.

The Authority further established customer service help lines in most operational departments to increase the efficiency of communication with taxpayers. Operations in provinces were restructured and issuance of tax clearance certificates decentralized to all provinces.

Construction of the RRA complex was started in 2004 and one of the primary objectives was to house all RRA departments under one roof so that taxpayers can access RRA services from one point. It is scheduled for completion during the year 2005. The extension of customs Head Quarter offices was finalised and rehabilitation of key customs border stations undertaken to deliver quality services.

### **5.5 Review of Legal Instruments**

The RRA in consultation with the Ministry of Finance and Economic Planning were involved in the review of all laws relating to revenue administration. The review process was carried out with the assistance of experts from the IMF. The Drafts of the Customs law, the substantive Income tax law and tax procedures code were completed and forwarded to the parliament for discussions and approval.

A comprehensive review of procedures relating to the granting of customs exemptions was also undertaken during the same period. The objective of the review was to modernize the laws to international standards including incorporation of investment incentives into the tax laws, provide certainty and simplicity that were lacking in the current laws.

### **5.6 Corporate planning and monitoring process**

The RRA's operations are enshrined in its mission statement that spells out the day-to-day overriding objectives, which are to maximise revenue collection at minimal costs while providing equitable and courteous services to our taxpayers. These objectives, the priorities and targets were set out in the 2004 Corporate Plan and all of them were aimed, directly or indirectly, at supporting the revenue maximisation objective.

Performance against all of the objectives and targets were largely achieved and were monitored on a regular basis, weekly and monthly departmental reports, which were prepared by every department and considered collectively by the Senior Management Team. At departmental level, departmental plans were monitored on a weekly basis through departmental management meetings. The key purpose of the monitoring process was to identify any instances where targets were not being met, and then identify corrective action that is needed to get back on track. It is therefore pleasing to report that most of the key objectives and targets included in the 2004 Corporate Plan were met. For those that were missed, they were rolled forward to the year 2005.

### **5.7 Donor Support**

The RRA has since its inception received significant technical and financial support from the British Department for International Development [DFID] through its various phases now in its Phase V of implementation. This support focused mainly on improving systems in operational departments and computerisation. Enormous progress was made in the area of computerization and training as mentioned in the report and the total disbursement made during the year are worth Rwf 186.5 millions. The RRA is thankful to DFID for its invaluable support and its promise is to ensure that its efforts in supporting the RRA and the Government of Rwanda in general shall never be let down.

### **5.8 Cooperation with Regional and International Bodies**

The RRA continued to develop good working relations with the East African Revenue Authorities and South Africa Revenue Services. RRA shared a range of information and training with these sister organizations and hopes to enhance this cooperation further.

RRA also continued to participate in activities organised by regional and international organizations notably COMESA and World Customs Organization.

In line with government trade policy, the Authority implemented successfully the COMESA Free trade Area scheme and all importations originating from Member States were given duty free clearance. In the framework of harmonizing procedures with sister revenue Authorities and facilitating trade, customs transit documents were harmonized. The Authority also assumed the responsibility of issuing all Certificates of Origin.

## **6.0 MAJOR CONSTRAINTS ENCOUNTERED IN 2004**

Despite the good performance made by the RRA during 2004, the Authority encountered some challenges and the major ones were:

### **(a) Substantial and growing informal sector:**

Although the extent and sources of informal economic activity, and its impact on growth are not well understood, the World Bank estimates put the size of informal sector in Rwanda to about 42% of GDP. This dwarfs the registered formal business activities and narrows the tax base.

In spite of our vigorous pursuits in taxpayer identification and registration throughout the year 2004, many potential taxpayers remain outside the tax net.

### **(b) Taxpayer compliance:**

Despite improvement in taxpayer compliance especially for large taxpayers, most small and medium taxpayers still faced difficulties in complying with their obligations. Difficulties in compliance are mainly a result of high illiteracy levels. Some taxpayers still have difficulties in keeping books of accounts and as such have impact on certain taxes that require proper invoicing like VAT.

### **(c) Inadequate capacity of RRA staff in some areas:**

It is evident that the structure of our economy is changing with the service sector growing at a faster rate, which is a hard-to-tax sector. This has come at a time when the impact of globalization and technological advancement has come along with several opportunities for tax planning in order to avoid taxes. We still face challenges in auditing of computerized accounts, international transactions of multinational companies and taxation of services including electronic commerce.

### **(d) Management of tax arrears:**

There still exists a large amount of arrears still recorded, but uncollectible in the range of Rwf 39.3 billions as at December 31, 2004. Most of the companies with arrears can not be traced, are out of business or were formerly state owned firms that were privatized. There is no legal instrument that empowers the tax administration to write-off these arrears and yet they keep on increasing overtime. This has adverse impact on the Government and the tax administration in particular since it distorts the revenue potential and therefore exaggerates revenue targets.

### **(e) Implementation of the COMESA rules of origin:**

While there are regulations in place concerning origin of imported goods, their implementation still poses a great challenge to customs administration and causes delays in customs clearance. Some goods though imported from the COMESA region may not be thought as conferring origin notwithstanding an issued certificate of origin. Consequently, the Authority has had an increasing number of contentions with the business community and

clearance of such goods after a lengthy authentication exercise has resulted into unnecessary delays.

**(f) Smuggling and other forms of tax evasion:**

It is no doubt that the year 2004 saw substantial reduction in smuggling countrywide as a result of strict law enforcement and cooperation from stakeholders. However, smuggling of goods from neighbouring countries continued to surface in districts bordering Uganda and DRC due to the porous nature of the borderline. Other methods of smuggling and tax evasion were also being employed by the business community including non-issuance of VAT invoices, forging of certificates of origin, and invoices for imported goods.

## **7.0 CONCLUSION**

The performance during the year 2004 was remarkable. Performance against key objectives, priorities and targets set for the financial year 2004 were largely achieved. This achievement was due to a combination of factors but the major ones include good performance of the economy, generous support from the government and increased efficiency of the tax administration. A summary of key performance indicators against targets for every department is shown as Appendix A to this report

The challenges encountered have been earmarked and have been taken into consideration in formulating the strategies for the year 2005. The priorities and targets for the year 2005 have been designed in view of these challenges. A summary of the priorities for the year 2005 is shown as Appendix B to this report. The Authority will continue to monitor the business environment to ensure that the approach enshrined in the corporate plan remains relevant and focused. We have high hope that our major objectives for the year 2005 will be achieved as has been the case for the previous years.

**8. APPENDIX A: DEPARTMENTAL PERFORMANCE DURING 2004**

Key Performance Indicator	Progress towards achieving target
<b>LARGE TAXPAYER DEPARTMENT</b>	
1. Register and notify all large taxpayers and monitor potential large taxpayers.	The total number of large taxpayers in the financial year 2004 was 272, including 218 liable to Profit tax, 270 liable to PAYE, 210 liable to VAT and 6 liable to Excise Duty. All were notified and registered.
2. Administer filing, assessment, payment and accounting functions.	<p>Monthly and annual targets were achieved and on average, the targets were exceeded by 4.7%.</p> <p>Compliance rate of 100% was achieved in receipt of all PAYE, VAT, Income Tax and Excise Duty returns and remittance of taxes. In addition 77.5% of collectable arrears were recovered.</p>
3. Design and implement an effective audit plan based on risk assessment and establish mechanisms for controlling audit quality.	On the whole, 197 cases were assessed and an amount equivalent to Rwf 8.7 billions established. 164 cases worth Rwf 4.1 billions were concluded and final assessments sent to taxpayers. The cases of first and second assessments were 33 by the end of December 2004 and an amount worth Rwf 4.6 was assessed.
4. Increase the involvement of audit supervisors in field visits to ensure quality service.	The exercise was effectively done. The exercise motivated subordinates since the involvement of supervisors answered lots of queries in audit work in the field.
5. Control costs and establish clear understanding of the new tax law and procedures by tax officers.	The Costs were greatly contained within their budget limits of 2.6% of collections. No training was given to the officers on the new law since it is not yet promulgated.
6. Advise MINECOFIN on harmonisation of VAT law with income tax law.	A Report was prepared and issued to MINECOFIN for consideration.
7. Advise MINECOFIN on review of Excise law.	A report was prepared and issued to MINECOFIN for consideration.
8. Set up a legal framework for tax consultants.	Legal framework draft questionnaires for tax consultants was designed to incorporate all underlying issues and was distributed to target groups for their views.

<b>Key Performance Indicator</b>	<b>Progress towards achieving target</b>
9. Redesign new processes and procedures to implement SIGTAS.	<i>Processes and procedures were prepared and finalised and approved by Processes &amp; Procedures Approval Committee (PAC). New forms and standard letters were also designed and approved by PAC.</i>
10. Design and implement new processes and procedures that will be implemented outside SIGTAS.	<i>Non-SIGTAS processes and procedures were also designed presented and approved by PAC.</i>
11. Identify customers' needs and expectations including impediments for building customer trust and confidence.	<i>The Information through leaflets and during-office visits by taxpayers was provided. Four seminars were subsequently conducted in liaison with LTSD.</i>
12. Liaise with HR to redesign and implement new recruitment policy and provide recruitment needs to HR.	<i>New recruitment policy was effectively designed and fully implemented.</i>
13. Develop individual objectives for each officer and evaluate performance by the end of each quarter.	<i>The individual objectives were developed.</i>
14. Conduct training needs analysis and draw up a training plan in consultation with HRAD.	<i>Training plan was prepared in accordance with the agreed format and departmental priorities on the training needs were greatly considered.</i>
15. Implement training plan in coordination with the HRD	<i>The training plan was drawn as advised and it was from the training plan that various courses were delivered to the RRA staff .The trainings conducted included: CATA, SATI, Advanced Audit Course and Customer care.</i>
16. Improve working environment	<i>Available resources were re-allocated on priority basis.</i>
<b>CUSTOMS DEPARTMENT</b>	
1. Improve efficiency and effectiveness of revenue assessment and collection.	<i>The customs department collected for the financial year 2004 an amount worth Rwf 56.8 billions against the target of Rwf 53.8 billions. This was <b>105.5%</b> achievement.</i>
2. Minimise any leakage of tax revenues.	<i>The department initiated and benefited from the Post Clearance Audit conducted by DFID trainers where a total number of 15 customs officers were trained in this function. The idea behind the initiative was to put in place a well functioning Audit and closely help and ensure that importers files are processed more rapidly using a set of selectivity criteria while allowing post clearance</i>

Key Performance Indicator	Progress towards achieving target
3. Further develop the Transit procedures, controls and their computerisation.	verification of declared values by examining documents and accounting records at the premises of the importer.  Transit procedures prescribed were improved and fully implemented.
4. Develop and consolidate a customs database.	Customs database was strongly built to incorporate all the data and there are continuous improvements.
5. Maximize follow up and control of exemptions.	Exemption procedures were revised with the help of an expert to streamline administration of customs exemptions. These procedures have been effectively implemented.
6. Maximize follow up and collection of customs arrears.	A monthly report on the status of arrears was prepared.
7. Need to further improve the levels of control exercised and abuse of the system where goods are released under special regimes.	Monthly reports on the special regime status submitted and examination reports for customs purposes are produced by verification officers on a regular basis.
8. Ensure effectiveness of the PSI scheme and timely approval of the PSI invoices.	Detailed monthly reconciliation and analysis reports submitted until the PSI Company was stopped. All PSI invoices were accounted for using computer database till the termination of the PSI services.
9. Increase revenue collection through introducing risk-based controls.	The Database was in place, disregarding the selectivity facility that was not developed by ITS.
10. Need to improve the standards of documentary and physical verifications.	There was substantial reduction in the number of discrepancies in approved declarations.
11. Further improve the approval, control and post-clearance procedures for exemptions.	Increased numbers of physical verifications were carried out on exempted goods. Reports were regularly produced.
12. Improve management of Customs bonded warehouses (including oil depots and duty free shops).	Customs bonded warehouse stock records are effectively maintained in our computer systems. Stock checks were done and completed, findings were also reported and actions were subsequently taken.
13. Minimize the risk of petroleum products being smuggled into Rwanda.	Carried out a study tour in the neighbouring country and conducted a review of the system of controls and the report on findings and recommendations was produced and a petroleum unit was further put in place.

Key Performance Indicator	Progress towards achieving target
<p>14. Maximise the effectiveness of the Enforcement division.</p>	<p><i>New procedures especially on system of controls were implemented and a number of cases were detected where filling stations cannot account for petroleum products delivered or sold.</i></p> <p><i>Audit programs were prepared and subsequently a number of Audits were carried out. 47 post clearance audits were carried and duties and taxes worth Rwf 40.4 millions recovered.</i></p>
<p>15. Make preparations for the implementation of the New Customs Law.</p>	<p><i>Laws, regulations and instructions were drafted and copies in English and French being reviewed by parliamentary committee</i></p>
<p>15. Introduction of transit module Roll- out ASYCUDA++ system to other offices.</p>	<p><i>The Transit module is operational. ASYCUDA++ was also implemented as of 1st November 2004.</i></p>
<p>16. Further enhance ASYCUDA++ System.</p>	<p><i>Configuration of other modules in ASYCUDA++ was done and cargo control module was implemented through ASYCUDA++.</i></p>
<p>17. Develop and enhance the role and responsibilities of Customs managers.</p>	<p><i>Standard format for 'schemes of control' developed and concept introduced and used by all Customs managers. Improved accountability and records of manager's activities registered.</i></p>
<p>18. Further ensure quality assurance of the statistical information captured and disseminated.</p>	<p><i>The information on the statistical data was gathered the report submitted.</i></p>
<p>19. Ensure prompt response to Internal Assurance department audit reports and implementation of recommendations therein.</p>	<p><i>Appropriate actions were taken on all IA audit reports within 5 working days of receipt of the report. Written responses were also prepared and submitted to IA within 30 days of receipt of audit report.</i></p>
<p>20. Need to improve management of official documents and Customs declarations.</p>	<p><i>Revised job descriptions and procedures. Computer-based registers for Customs declarations introduced.</i></p>

Key Performance Indicator	Progress towards achieving target
<b>INTERNAL REVENUE DEPARTMENT</b>	
1. Register and notify all identifiable IRD taxpayers and monitor new taxpayers.	Notification documents were prepared and subsequently issued to the eligible taxpayers. Taxpayers' registry was always updated.
2. Administer filling, assessment and accounting functions.	The administration and assessment of revenues and non fiscal revenues in IRD was effectively done. An amount worth Rwf 19.7 billions and Rwf 3.1 billions for fiscal and non fiscal revenues respectively was collected and this exceeded targets by 11.2% and 11.9% respectively.
3. Monitor the collection of decentralised taxes in Kigali city.	Monitoring and evaluation reports have been prepared and regularly submitted.
4. Design and implement an effective audit plan based on risk assessment and establish mechanism for controlling audit quality.	Audit plans were prepared and submitted to the head of department for approval. An amount worth Rwf 714.3 millions was collected from Audits.
5. Increase the involvement of audit supervisors in field visits to ensure quality.	Middle managers regularly participated in field Audits.
6. Establish clear understanding of the new tax law and procedures by tax officers.	Draft tax laws prepared and submitted.
7. Design and implement new processes and procedures that will be implemented as part of the preparation for SIGTAS.	The committee responsible for processes and procedures in IRD was nominated to work and modify the existing processes and procedures and this was done. Information required as part of SIGTAS is readily available awaiting to be incorporated into the entire system.
8. Identify IRD customer's needs and expectations including impediments for building customer trust and confidence.	In collaboration with the legal and taxpayer services department, the department conducted regular surveys to customer needs. Report was prepared and submitted.
9. Liaise with HR to redesign and implement new recruitment policy and provide recruitment needs to HR.	The recruitment needs were regularly communicated to HR department.
10. Develop individual objectives for each officer and evaluate performance by the end of each quarter.	The individual objectives for each officer were set. The performance appraisal forms were modified to significantly suit the performance needs.

Key Performance Indicator	Progress towards achieving target
<p>11. Conduct training needs analysis and draw up a training plan in consultation with HR.</p>	<p>Training needs analysis was done subsequently submitted to HR for consideration.</p>
<b>REVENUE PROTECTION DEPARTMENT</b>	
<p>1. To strengthen control of through and inward transit through increased checkpoints, patrols and surveillance of warehouses.</p> <p>2. Develop and manage an effective intelligence database system and disseminate such information to user departments whenever necessary.</p> <p>3. Investigate a minimum number of cases suspected between 60 and 70 (or referred) of tax fraud and evasion.</p> <p>4. Establish an effective anti evasion policy and develop appropriate fraud targets.</p>	<p>Strategic locations for checkpoints are now operational in accordance with the use of convoy system. Required resources for manning the checkpoints were made available checks fully operational. Increased surveillance operations are undertaken on a monthly basis through out the country.</p> <p>A prototype intelligence database was developed for the intelligence division of Revenue Protection department. The hard ware equipment were acquired and supplied to the concerned division. The system is fully operational.</p> <p>Total amount of revenue assessed was Rwf 4.0 billions of which Rwf 2.3 billions was realised through investigations, Rwf 1.0 billion was through surveillance and Rwf 998.5 millions was the arrears.</p> <p>Anti evasion policy and fraud targets in existence in practice but not documented.</p>
<b>QUALITY ASSURANCE DEPARTMENT</b>	
<p>1. To review the operational and strategic plans and submit the report to Commissioner General.</p> <p>2. To evaluate and review eighteen systems</p> <p>3. To improve on the perception of individuals as regards the internal audit division by raising the staff awareness on the role and functions of Internal Audit through sensitisation.</p> <p>4. To make a follow-up over the recommendations raised by Internal auditors.</p>	<p>The review of the strategic and operational plans for 2004 was finalised during April 2004 and report was submitted.</p> <p>Out of 18 assignments, 17 were completed.</p> <p>The report on the implementation status of the internal auditors recommendations made was prepared and submitted.</p> <p>40 cumulative cases were identified up to the end of December 2004. 36 cumulative cases were concluded up to the end of December 2004 and 4 cases still in progress.</p>

Key Performance Indicator	Progress towards achieving target
<p>5. To identify and investigate cases of corruption, theft and other serious staff malpractice.</p> <p>6. To develop intelligence-gathering techniques to enable the division of Internal Affairs to identify and target suspected corrupt officers.</p> <p>7. To carry out more sensitisation of RRA staff on staff rules and regulations and to accelerate smooth information flow mechanism of actual or suspected cases of corrupt officers.</p> <p>8. To inform the public of the existence and role of the internal affairs division in RRA and the public role in identifying and informing RRA of the cases of fraud and tax evasion.</p> <p>9. To identify quality areas for review basing the unsatisfactory level of customers.</p>	<p>Established a network of informants who could always inform the Authority on officers that are involved in corruption and malpractices.</p> <p>The department sensitized newly recruited staff in operational departments on RRA code of conduct and gave them copies for future guidance.</p> <p>The dept published an article on how Internal Affaires Division works especially its contribution on fighting corruption and other staff malpractices. The said article was submitted to responsible department to publish it in the Revenue Magazine.</p> <p>An article on Quality Assurance was prepared and published in the RRA revenue magazine.</p> <p>Two assignments were completed:  (a)Quality audit on the overall supervision by managers and the environment that staff are working in;  (b)Quality audit on the regularity and punctuality.</p>
<b>LEGAL AND TAXPAYER SERVICES DEPARTMENT</b>	
<p>1. Follow up the review and adoption of fiscal and customs laws.</p> <p>2. Updating of other fiscal and customs laws.</p> <p>3. Follow up of Appeals Council activities.</p> <p>4. To improve the corporate image of Rwanda Revenue Authority.</p>	<p>The Income Tax Law, Tax Procedures Code and Customs Law were drafted approved by Cabinet and submitted to parliament for promulgation.</p> <p>Drafted VAT and Excise laws aimed at strengthening and enhancing the administration of VAT.</p> <p>Finalized the drafting of CG rules on VAT.</p> <p>Drafted ministerial order on calculation of import duties.</p> <p>Cases were analyzed and submitted to the Appeals Council on regular basis and decisions communicated to claimants.</p> <p>Trainings on how the RRA's image could be improved were postponed to the financial year 2005.</p>

Key Performance Indicator	Progress towards achieving target
5. Provide legal advice to other Departments.	<i>Legal advice promptly provided to Departments.</i>
6. To furnish complete services of the Secretariat to the Board.	<i>Board minutes were recorded and decisions communicated to all concerned parties.</i>
7. To design and conduct comprehensive taxpayers education programs on fiscal and customs laws in force.	<i>53 education seminars were organised and conducted in Kigali city and in all provinces.</i>
8. To follow up the activities of TAC and to create other new ones in Districts and Towns	<i>Assessment visits were conducted by SMT members to all provinces.</i>
9. To generate simplified written information (clear and comprehensive) and guidelines including tax reforms for taxpayers and the general public.	<i>Produced a brochure on GATT valuation. Revised taxes pamphlet was not done pending the new fiscal and customs laws.  Various announcements were prepared and communicated to the public through media.</i>
10. To reduce the complaints of taxpayers and partners.	<i>Hot lines installed and functioning at HQs and in IRD Complaints bureau not yet created due to lack of space</i>
11. Conduct publicity campaign.	<i>6 Spots were produced. On GATT valuation, Taxpayers day 2005 and on Students competition, 3% advance on profit tax collected on public tenders, VAT invoices and publicising tax and duties evaders.</i>
12. Preparing clearance certificates.	<i>The Processing and issuing of Tax Clearance Certificate was done.</i>
13. Organise the industrial training for students.	<i>Screened all students who applied. Successful applicants were allocated to concerned departments.</i>
14. Improve the skills of Legal and Taxpayer Services Department Staff.	<i>The proposed training was not conducted due to budget constraints.</i>

Key Performance Indicator	Progress towards achieving target
<b>PLANNING &amp; RESEARCH DEPARTMENT</b>	
<p>1. <i>Improve quality and coverage of revenue statistics</i></p> <p>2. <i>Ensure that monthly management reports are produced within 3 weeks of month end.</i></p> <p>3. <i>Propose measures for broadening the tax base and administration by end December 2004.</i></p>	<p><i>Formats for producing management information reports were redesigned and sent to the departments and were agreed upon.</i></p> <p><i>Quarterly statistical bulletin prepared and circulated to entire organization and stakeholders.</i></p> <p><i>The reports were regularly prepared and presented to the RRA SMT as well as the RRA Board. Deadlines were sometimes not met.</i></p> <p><i>Possible measures to broaden the tax base in financial year 2004 were not analyzed due to staffing constraints.</i></p>
<b>FINANCE DEPARTMENT</b>	
<p>1. <i>Produce by the 15th day of each month following the reporting month, monthly revenue reports.</i></p> <p>2. <i>Document RRA Financial Management Regulations for the whole year 2004.</i></p> <p>3. <i>Ensure that revenue collection through Commercial Banks runs smoothly with effect from January 2004.</i></p> <p>3. <i>Fully complete the post implementation of FMIS system.</i></p>	<p><i>Reports on revenue collections against the set targets regularly produced. However delays were sometimes observed due to delays in reconciliations with operational departments. Various standard reports were prepared including weekly, monthly revenue and quarterly collection status reports.</i></p> <p><i>Financial Regulations were prepared, considered and approved by the RRA SMT and subsequently endorsed by its Board.</i></p> <p><i>Collection of revenues through Commercial banks was effectively done. Measures were put in place to further strengthen the system to avoid delays that were identified.</i></p> <p><i>The FMIS parallel run was put on halt towards the end of last Quarter of 2004. It is however being followed closely so as to identify any difficulties which can be solved in the post implementation period.</i></p>

Key Performance Indicator	Progress towards achieving target
<b><i>HUMAN RESOURCES &amp; ADMINISTRATION DEPARTMENT</i></b>	
<p><i>1. Deliver all 'Top' and 'High' priority training courses as specified in Training Plan for 2004.</i></p> <p><i>2. Ensure that staff appraisal under PBA is fully operationalised in 2004.</i></p> <p><i>3. Ensure that the Staff Code of Conduct and internal regulations are documented, distributed and enforced to all RRA staff.</i></p> <p><i>4. Offer adequate logistical and administrative support to all RRA departments.</i></p>	<p><i>Training programs that were carried out from January to December 2004 are 24 in number. These included basic and specialized courses. Basic courses carried out were 17 in number while specialized course were 7 that were overseas training.</i></p> <p><i>Managers were re-trained in PBA system, objectives were set, held appraisal interviews and completed appraisal documentation. All the departments have appraised their staff and the report was prepared.</i></p> <p><i>Human Resource policies and procedures were prepared and training offered to Heads of Division and Departments. These are however continuously reviewed to suit the situation. All staff disciplinary matters are now dealt in reference to the approved staff code of conduct and its provisions are enforced as required.</i></p> <p><i>All department logistical requests were dealt with promptly. Logistical requisitions were done inline with the approved procedures.</i></p>
<b><i>INFORMATION SYSTEMS &amp; TECHNOLOGY DEPARTMENT</i></b>	
<p><i>1. Deliver individual projects in computerisation plan for 2004 on time and within the budget limits.</i></p> <p><i>2. Maintain and develop training for IS&amp;T staff, with ongoing support to user Departments.</i></p> <p><i>Provide high quality service to all users.</i></p>	<p><i>Operationalisation of FMIS in the Finance Department was done; further enhancement of the VAT system; computerisation of core operations in the Tax Department; development of an intelligence database in RPD and further enhancement of the SYDONIA system used by the Customs Department were all successfully done with the support of funding from DFID.</i></p> <p><i>IT staff members have under gone different trainings depending on the computerization project they were assigned to handle. IT officers in Customs went on training of Oracle at KIST on a special session with hired consultant. The Customs IT team together with Networks Team went a special course on Linux, Cisco networking, and Asycuda++.</i></p> <p><i>The IT team working on SIGTAS spent 5 months under Oracle database development tools, Linux and Hands on training on SIGTAS Customization in Montreal, Canada.</i></p> <p><i>Quality services were provided to the end users of our systems, and queries were dealt with promptly.</i></p>

**9.0 APPENDIX B - MAIN PRIORITIES FOR 2005**

The RRA's priorities for the year 2005 are summarized in its medium term strategy 2005-2007 and more specifically in the 2005 business plan. Major goals for the year 2005 were set, strategies formulated and priorities and their targets established. The Corporate Plan was refined using the balanced scorecard approach that is more effective. The Goals and strategic measures that will be pursued during the year 2005 and beyond are reflected in the corporate plan and are summarized below:

**GOAL 1: Maximise the flow of tax, custom duties and other specified revenues**

- Strategy 1.1 Effectively assess and collect revenues in accordance with the revenue laws in force
- Strategy 1.2 Deter, detect and prosecute evasion, smuggling and other breaches of tax and customs legislation, and other specified legal instruments
- Strategy 1.3 Ensure proper revenues accountability

**GOAL 2: Maintain Effective Financial Management Systems**

- Strategy 2.1 Ensure effective mobilisation of RRA resources
- Strategy 2.2 Manage RRA resources efficiently
- Strategy 2.3 Maintain proper records and accountability

**GOAL 3: Maintain Sound Internal Business Process**

- Strategy 3.1 Effectively implement the business systems and procedures and keep them updated
- Strategy 3.2 Implement flexible and adaptable organisational structures and processes to support our strategies

**GOAL 4: Develop a Capable and Effective Organisation**

- Strategy 4.1 Develop and enhance Human Resources capacity, and policies
- Strategy 4.2 Improve motivation and efficiency in staff performance
- Strategy 4.3 Development and improvement of infrastructure facilities

**GOAL 5: Satisfy Customers and Stakeholders' Requirements**

- Strategy 5.1 Foster voluntary compliance through the delivery of enhanced programme of taxpayer education and high quality customer services
- Strategy 5.2 Provide quality input to the development of revenue laws
- Strategy 5.3 Participate fully in stakeholders programmes
- Strategy 5.4 Develop and enhance cooperation with relevant international and regional bodies in tax matters