

REPUBLIC OF RWANDA

RWANDA REVENUE AUTHORITY

P.O. BOX 3987 KIGALI



TAXES FOR GROWTH AND DEVELOPMENT

ANNUAL ACTIVITY REPORT

2021-2022

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## **LIST OF ABBREVIATIONS**

AEO	Authorized Economic Operators
AfCFTA	African Continental Free Trade Area
AG	Auditor General
ASSAR	Rwanda Insurers Association
ASYCUDA	Automated System for Customs Data
ATAR	Association of Tax Advisors of Rwanda
BI	Business Intelligence
Bn	Billion
CBHI	Community Based Health Insurance
CIF	Cost Insurance and Freight
CIT	Corporate Income Tax
COVID-19	Coronavirus Disease-19
CSD	Customs Services Department
DTD	Domestic Tax Department
EAC	East African Community
EBM	Electronic Billing Machine
EBM V.2	Electronic Billing Machine Version Two
ESW	Electronic Single Window
Frw	Currency symbol for the Rwandan Francs
FY	Fiscal Year
G&S	Goods and Services
GDP	Gross Domestic Product
HR	Human Resource
IATA	International Air Transport Association

ICPAR	Institute of Certified Public Accountants of Rwanda
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
Int'l	International
IPPIS	Integrated Payroll and Personnel Information System
IQP	Income Tax Quarterly Prepayment
ISIC	International Standard Industrial Classification
ISO	International Standard Organization
IT	Information Technology
KPIs	Key Performance Indicators
LG	Local Government
LGT	Local Government Taxes
LTO	Large Taxpayers Office
MIFOTRA	Ministry of Public Service and Labour
MINECOFIN	Ministry of Finance and Economic Planning
NAEB	National Agricultural Export Development Board
NISR	National Institute of Statistics of Rwanda
NOM	New Operating Model
NVRT	Non-VAT registered taxpayers
OAG	Office of Auditor General of Rwanda
PAYE	Pay As You Earn
PIT	Personal Income Tax
POS	Point-Of-Sales
PSF	Private Sector Federation
Q	Quarter
QMS	Quality Management System

RI&ED	Revenue Investigation and Enforcement Department
RIB	Rwanda Investigation Bureau
RICA	Rwanda Institute for Conservation Agriculture
RRA	Rwanda Revenue Authority
RSSB	Rwanda Social Security Board
RURA	Rwanda Utilities Regulatory Authority
RWAFFA	Rwanda Freight Forwarders Association
SDC	Sales Data Controller
SIGTAS	Standard Integrated Government Tax Administration System
SMS	Short Message Service
SMTO	Small and Medium Taxpayers Office
TAC	Tax Advisory Council
TADAT	Tax Administration Diagnostic Assessment Tool
TCCs	Treasury Credit Cheques
TIN	Tax Identification Number
UAE	United Arab Emirates
UAT	User Acceptance Tests
UNCTAD	United Nations Conference on Trade and Development
V	Version
VAT	Value Added Tax
V-SDC	Virtual Sales Data Controller
WHT	Withholding Tax
Y-O-Y	Year-on-Year

## FOREWORD BY THE CHAIRPERSON OF THE BOARD OF DIRECTORS



As Chairman of the Board of Directors of Rwanda Revenue Authority, I am honoured to present the RRA annual activity report for fiscal year 2021/22. Rwanda Revenue Authority continued to deliver on its mandate despite the economic hardships during and post covid-19 pandemic.

Real economic growth reached 8.9% in fiscal year 2021/22, showing a strong recovery in the aftermath of the Covid-19 pandemic. The Covid-19 pandemic affected all sectors of the economy leading to 2.3% real economic growth during fiscal year 2019/20, the lowest average growth for the last three years. The economic recovery in the aftermath of the pandemic coupled with strategic goal-setting, efficiency in delivery as well as continued government support enabled RRA to achieve the targets.

Rwanda Revenue Authority strategic intent is to continue introducing facilities that improve taxpayers' voluntary compliance and further reduce the cost of collection. Since inception, Rwanda Revenue Authority has undergone various reforms all intended to facilitate taxpayers in fulfilling their obligation and increase efficiency in tax administration.

The implementation of effective administrative measures together with economic conditions at hand during fiscal year 2021/22 resulted into the achievement documented herein. The **total revenue collection** (both tax and non-tax, excluding local government collections) for the period of FY 2021/22 amounted to **Rwf 1,910.2 billion** against a target of **Rwf 1,831.3 billion** which is an achievement of **104.3%**, and an excess of **Rwf 78.8 billion** above the target. This represents a tax to GDP ratio of 15.8%

On behalf of the Board of Directors, I thank the RRA staff and management for the focus and tireless efforts dedicated to achieving the remarkable performance achieved during fiscal year 2021-22.

A handwritten signature in blue ink, consisting of several overlapping, stylized strokes that form the name 'Murangwa Yusuf'.

**MURANGWA Yusuf**

**Chairperson of RRA Board of Director**

## FOREWORD BY THE COMMISSIONER GENERAL



It is with great pleasure that I share with you the Rwanda Revenue Authority (RRA) annual activity report for fiscal year 2021/22. During this period, RRA managed to achieve the set targets albeit of a challenging business environment. This achievement was boosted by 8.9% real growth in the economic as well as effective administrative measures employed during fiscal year 2021-2022.

The tax administration surpassed the target performing at 104.3% for total revenue collection (both tax and non-tax, excluding local government collections) which is an achievement of and a year-on-year growth of 15.5%.

During the period under review, RRA continued to educate and assist our customers by providing real time information and other facilitation services through our various digital platforms. We strongly believe that our continuous digital transformational journey and implementation of tailor-made compliance initiatives have led to a positive shift in regard to fulfilling tax obligations pinnacle to the performance achieved during fiscal year 2021/22.

During this fiscal year, the RRA also fulfilled its mandate of collecting Local Government taxes and charges. Local Government collections totalled Rwf 74.9 billion, an achievement of 84.7% of the Rwf 88.5 billion target and a shortfall of Rwf 13.5 billion.

On a final note, I wish to express appreciation to the Government of Rwanda, the RRA Board of Directors, Members of Executive Organ, Senior Management Team and all RRA staff members for their dedication and commitment that led to this wonderful achievement.

A handwritten signature in blue ink, appearing to be 'P. Bizimana'.

**BIZIMANA RUGANINTWALI Pascal**

**Commissioner General**

## EXECUTIVE SUMMARY

### Performance and achievements:

**RRA tax collection this fiscal year was 104.3% of the annual target for FY 2021/22, equating to Rwf 1,910.2 billion in total revenue.** This meant that tax revenue contributed 49.6% of the national budget, and tax revenue as a percentage of GDP was 15.8%. Tax collection has also been more cost efficient this year, with a cost to collection ratio of 2.5%. These achievements were a result of both economic factors and administrative measures implemented throughout the year.

**Economic factors included a rebound in economic growth following the COVID-19 pandemic and high inflation towards the end of the fiscal year.** Both contribute to a higher nominal value of goods and services traded, positively impacting taxes on goods and services. GDP growth also benefits all tax heads via its impact on incomes, profits, and employment.

**Administrative measures have been taken to improve compliance among the population.** This year, the measures have included systems controls in income tax to deter bogus VAT refund and deductible expense claims, as well as the automation of non-payment notifications and enforcement processes which increase the amount of tax arrears recovered by RRA. The RRA has also continued its ongoing measures to improve compliance, including registration, audits, and tax education initiatives.

**Other administrative measures have been introduced as part of long running improvement plans.** These include the expansion of EBM usage under 'EBM for all'. Other measures focus on developing the RRA itself, including expanding internal capacity, internal audits, and risk management strategies.

### Challenges:

**VAT performance could worsen if growth of non-taxable sales continues to outpace growth in taxable sales.** VAT is the largest source of total tax revenues in Rwanda, making a potential decline in performance a key issue. The proportion of total turnover which is non-taxable (exempted, zero-rated, or exported), now represents 41.8% of all sales. Zero-rated sales have grown as a result of the "manufacture and build to recover" program which offers VAT incentives to qualified investors from construction, manufacturing, and agro-processing. Exempted sales also grew as a result of the fuel exemption, designed to counter international oil price rises.

**A low compliance culture continues to hold back the revenue raise by the RRA.** Some taxpayers engage in tax evasion or are reluctant to appropriately use tools such as the Electronic Billing Machines. Several enforcement and culture changing initiatives are in place to try to change this.

**Implementation of the New Operating Model (NOM) was delayed.** This caused administrative inefficiencies and additional challenges by increasing uncertainty within the institution.

## OUR YEAR IN NUMBERS: FY 2021- 2022

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### *Our performance at a glance:*

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**Rwf 1,910.2 bn** total revenue collected (104.3% of target).

**Rwf 74.9 bn** local government tax revenue collected (84.7% of target).

**15.8%** Tax revenue as a % of GDP.

**Rwf 50.4 bn** total net expenditure by RRA.

**49.6%** Tax revenue as a % of the national budget.

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### *Target outcome 1: Improved customer services*

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**75%** of customers are satisfied with RRA services.

**2** online services created.

**60** sessions, meetings, seminars, and workshops conducted to improve tax education.

**13** workshops conducted on the tax compliance improvement plan.

**2** additional online self-service support functions

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### *Target outcome 2: Enhanced Tax Compliance*

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**18%** increase in our taxpayer registry, with newly registered taxpayers paying **Rwf**

**92.5%** implementation of our annual compliance improvement plan.

**97.4%** of VAT registered taxpayers issued with EBM machine.

**62.7 bn** of tax this year.

**20,577** audits completed.

**454** anti-smuggling operations conducted.

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*Target outcome 3: Improved employee engagement and development*

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**84** of our staff completed our internal leadership program.

**204** RRA staff benefitted from counselling outreach campaigns.

**131** children of RRA staff benefitted from psychoeducation, life skills, and counselling sessions.

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*Target outcome 4: Strengthen organisational capacity*

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**Rwf 2.5** spent on average to collect Rwf 100 in tax revenue.

**82.5%** of our risk mitigation strategies implemented.

**14** internal audits completed.

**6** new data reporting applications developed and deployed.

**8** staff received disciplinary sanctions.

# **1. OVERALL REVENUE PERFORMANCE FOR 2021/22 FISCAL YEAR**

## **1.1 REVENUE PERFORMANCE FOR FISCAL YEAR 2021/22**

Table 1 summarises the revenue performance of the RRA against its targets for the FY 2021/22. The key figures shown are:

1. Total revenue collection<sup>1</sup> for the period of FY 2021/22 amounted to Rwf 1,910.2 billion against a target of Rwf 1,831.3 billion which is an achievement of 104.3%, and an excess of Rwf 78.8 billion above the target.
2. Local Government (LG) taxes and fees collections totalled Rwf 74.9 billion, an achievement of 84.7% of the Rwf 88.5 billion target, a shortfall of Rwf 13.5 billion. This represents year-on-year decrease of 3.7% and a nominal decrease of Rwf 2.9 billion.

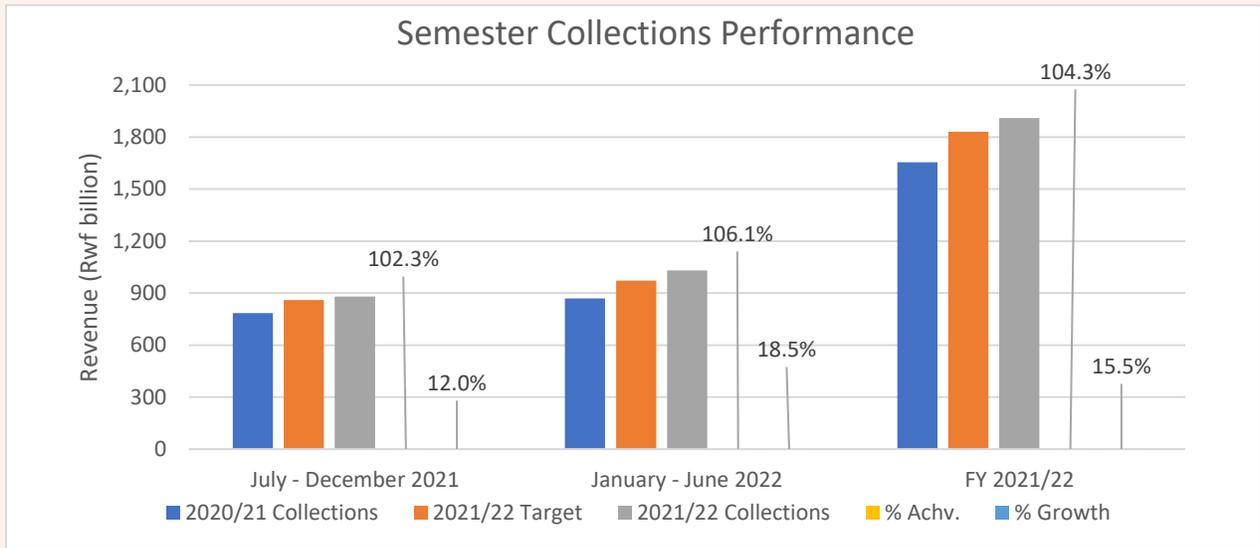
<sup>1</sup> both tax and non-tax, excluding local government collections

**Table 1: RRA revenue performance against targets for FY 2021/22 (billion Rwf)**

	<i>Target</i>	<i>Actual</i>	<i>Performance</i>	<i>Annual Growth</i>
<b><i>Total revenue</i></b>	<b>1,831.3</b>	<b>1,910.2</b>	<b>104.3%</b>	<b>15.5%</b>
<i>Non-fiscal</i>	22.1	23.0	104.0%	22.7%
<i>Other Revenue</i>	40.8	34.9	85.5%	4.7%
<b><i>Total tax revenue</i></b>	<b>1768.4</b>	<b>1852.3</b>	<b>104.7%</b>	<b>15.6%</b>
<i>Direct taxes</i>	793.8	856.2	107.9%	21.2%
<i>Taxes on G &amp; S</i>	847.8	863.1	101.8%	11.2%
<i>Taxes on Int'l Trade</i>	126.8	133.0	104.9%	11.1%
<b><i>L.G tax and fees</i></b>	<b>88.5</b>	<b>74.9</b>	<b>84.7%</b>	<b>-3.7%</b>
<i>LG Tax</i>	43.0	35.4	82.3%	-3.4%
<i>LG Fees</i>	45.5	39.5	86.9%	-3.9%

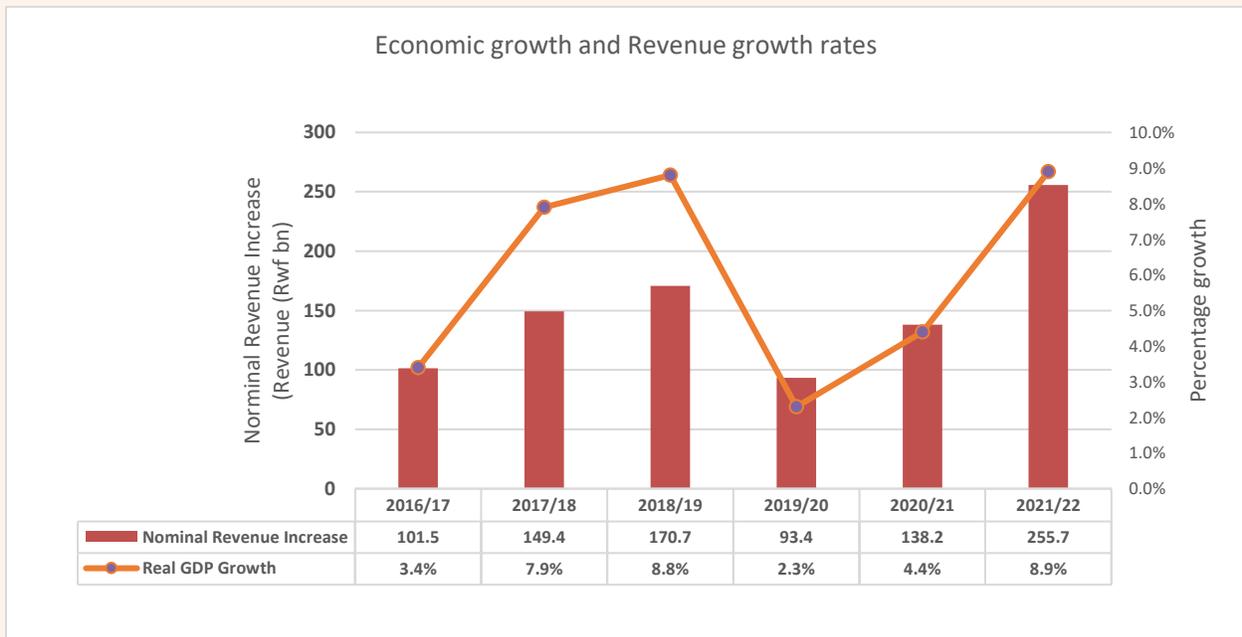
Semester level analysis shows similar trends to annual analysis, with positive growth in each semester relative to the same period last year (12% and 18% respectively). Figure 1 shows this in more detail.

Figure 1: Semester RRA revenue collections performance



Finally, trend analysis for the last 5 fiscal years, shown in Figure 2, demonstrates the close correlation to net revenue collections and economic growth. The high tax collection this year is therefore likely to be partially driven by the high GDP growth in the post-COVID pandemic recovery period.

Figure 2: Economic growth and revenue growth rates



## 1.2 MAJOR FACTORS THAT AFFECTED THE PERFORMANCE OF FY 2021/22

### 1.2.1 Macroeconomic Factors

**Tax revenue is affected by economic growth, inflation, imports, international events and policy changes.** Economic growth and inflation both correspond to increases in the nominal size of the economy, resulting in higher domestic taxes. Mild inflation in particular increases VAT and excise duty revenues. However, excessive inflation is detrimental to VAT and excise collections. Imports and events (which affected imported goods) impact the value of customs taxes. Policy changes affect the size of the tax base and the proportion of economic activity which is taxed.

- a) **Economic growth** for FY 2021/22 was forecasted to be 8.5% and the data released by the National Institute of Statistics of Rwanda shows a higher growth of **8.9%**. Growth was particularly strong in the following sectors:
  1. Financial and Insurance (growth rate 45.1%, additional revenue Rwf 21.1 billion)
  2. Wholesale and retail (growth rate 43.8%, additional revenue Rwf 7.7 billion)
  3. Manufacturing (growth rate 37.6%, additional revenue Rwf 6.7 billion)
  4. Professional, scientific and technical activities (additional revenue Rwf 2.9 billion)
- b) **Inflation** for FY 2021/22 was forecasted to be 4.2%, with an actual inflation rate of 4.6%.
- c) **Imports** were forecasted to grow by 17.6% in FY 2021/22, with a realised growth rate of 18.6% (CIF growth RRA system). Petroleum imports increased by 18.8%, which has increased the revenue collected through excise duties on petroleum and the strategic reserves levy.
- d) **Commonwealth Heads of Government Meeting (CHOGM)** hosted in Rwanda in June 2022 boosted imports of June 2022. The growth of imports in this month was 44% compared to 18.6% average growth for FY 2021/22. This growth resulted in an additional Rwf 13bn to FY 2021/22 collections. This is a one-off event.
- e) The following **policy changes** have affected revenue collections in FY 2021/22:
  1. GoR provided a subsidy on public transport in the form of excise tax on diesel amounting to Rwf 3.5 billion.
  2. GoR provided a subsidy on fuel levy due to international price rises in fuel amounting Rwf 33.1 billion.
  3. Exemptions granted on imports to support investment amounting to Rwf 244.4 billion.
  4. The Manufacture and Build to Recover Program aimed to support the post-Covid-19 pandemic economic recovery amounting to lower VAT collections.

5. Revision downwards of land tax rates amounting to lower Local Government tax revenue.

## 1.2.2 Summary of administrative measures that supported performance

- a) **EBM usage enforcement** boosted VAT performance as well as excise tax through actions such as joint field monitoring of excise tax stamps).
- b) **EBM rollout for non-VAT registered taxpayers** meant 33,624 taxpayers not registered on VAT acquired EBM. This measure contributed Rwf 4.5 billion additional tax revenue in the FY 2021/22.
- c) **Automated personalised reminder messages** improved follow up on filing and payment of tax returns. As a result, additional Rwf 7.5 billion was collected through this measure.
- d) **System controls on income tax declarations** submitted in March 2022 for the calendar year 2021 contributed Rwf 32.8 billion positively impacting income tax revenue collection.
- e) **Supply-chain analysis** had a positive impact on domestic VAT declarations submitted between July 2021 and June 2022. Compared to last year, the proportion of taxable sales to VAT turnover has grown for big importers and their respective clients due to introduction of supply chain analysis. Additional revenue of Rwf 23 billion is estimated to have been collected from this analysis.
- f) Automation of warning and reminder letters implemented in FY 21/22 supplemented tax arrears collection initiatives, as a result this initiative contributed Rwf 40.8 bn of tax arrears collected in FY 2021/22.
- g) **Joint inspection between DTD and RIED** on usage of tax stamps for local manufacturers and ensuring that traders of imported excisable products comply with tax stamp usage boosted excise tax collections.

## 2 TAX REVENUE PERFORMANCE BY TAX HEADS

Almost all tax heads surpassed their targets and registered a positive year-on-year growth except “fuel levy”, “vehicle registration” and “other revenue” categories. A breakdown of tax revenue by tax heads is shown in Table 4 and the sections below give a breakdown of revenue performance for each of the broad categories of taxes and for each of tax heads.

**Table 2: Tax revenue performance by tax heads for FY 2021/22 (value in Rwf bn)**

<i>Tax heads</i>	<i>Target FY 21/22</i>	<i>Actual FY 21/22</i>	<i>Performance rate</i>	<i>Growth in FY 21/22</i>
<i>PAYE</i>	395.6	427.4	108.1%	17.5%
<i>Profit Taxes (CIT, PIT &amp; WHT)</i>	393.3	425.1	108.1%	25.5%
<i>Value Added Tax (VAT)</i>	581.0	593.4	102.1%	13.0%
<i>Excise</i>	220.4	229.3	104.0%	15.4%
<i>Import Duty</i>	109.1	112.7	103.3%	9.0%
<i>Royalty Tax on Mining</i>	6.0	12.0	199.4%	197.6%
<i>Fuel levy</i>	27.0	14.7	54.2%	-60.5%
<i>Vehicle Registration</i>	4.8	3.7	76.0%	-9.2%
<i>Strategic reserve Petroleum Levy</i>	13.4	13.7	102.6%	19.0%
<i>Infrastructure Development Levy</i>	15.8	18.0	114.4%	24.6%
<i>African Union Levy</i>	2.0	2.3	118.4%	27.0%
<b><i>Total Tax Revenues</i></b>	<b>1,768.4</b>	<b>1,852.3</b>	<b>104.7%</b>	<b>15.6%</b>

<b><i>Other Revenue</i></b>	<b>40.8</b>	<b>34.9</b>	<b>85.5%</b>	<b>4.7%</b>
<i>Road Toll</i>	15.1	13.0	86.3%	-6.0%
<i>Other Customs Revenues</i>	6.4	5.8	90.7%	5.2%
<i>Interest and penalties</i>	19.3	16.0	83.2%	15.0%
<b><i>Total Tax and Other Revenue</i></b>	<b>1,809.2</b>	<b>1,887.2</b>	<b>104.3%</b>	<b>15.4%</b>
<i>Non-fiscal collected by RRA</i>	22.1	23.0	104.0%	22.7%
<b><i>Total RRA Revenue</i></b>	<b>1,831.3</b>	<b>1,910.2</b>	<b>104.3%</b>	<b>15.5%</b>

## 2.1 DIRECT TAXES

Direct taxes, which includes PIT, CIT, PAYE, and WHT tax categories, performed at 107.9% in FY 2021/22. When compared with collection of FY2020/21, direct taxes collections grew by 21.2%, higher than the projected growth of 12.0%. Further breakdown:

### 2.1.1 Overall profit tax (CIT, PIT & WHT)

Profit taxes collected: **Rwf 425.1 billion** in FY 2021/22 against a target of **Rwf 393.3 billion**

Achievement of **108.1%**, and year-on-year growth of **25.5%** against 16.5% achieved during FY 2020/21

#### Key factors:

- Introduction of income tax system controls for business expense claim
- Economic recovery after Covid-19 pandemic

**The introduction of income tax system controls had a positive impact on income tax declarations for FY2021.** The cost of goods sold as percentage of business income has decreased to **57.1%** from **67.1%** average for the last five years. This decrease is attributed to this new

administrative measure of income tax system validations where the system automatically checks every invoice submitted as an allowable expense to be either supported by an EBM invoice or customs importation document. This reduces unjustified allowable expenses leading to increase in the declared profits of firms, resulting in higher profit taxes.

Comparing FY 2021/22 and FY 2020/21 payments, four of the top performing sectors by taxable turnover growth experienced year-on-year increases in CIT/PIT payments. The exception to this was real estate. The top five sectors (excluding real estate) were: financial and insurance activities; wholesale and retail trade, repair of motor vehicles and motorcycles; manufacturing; construction; and Information and Communication. Year-on-year increases in performance imply higher profits, which also contribute to the higher profit tax collection.

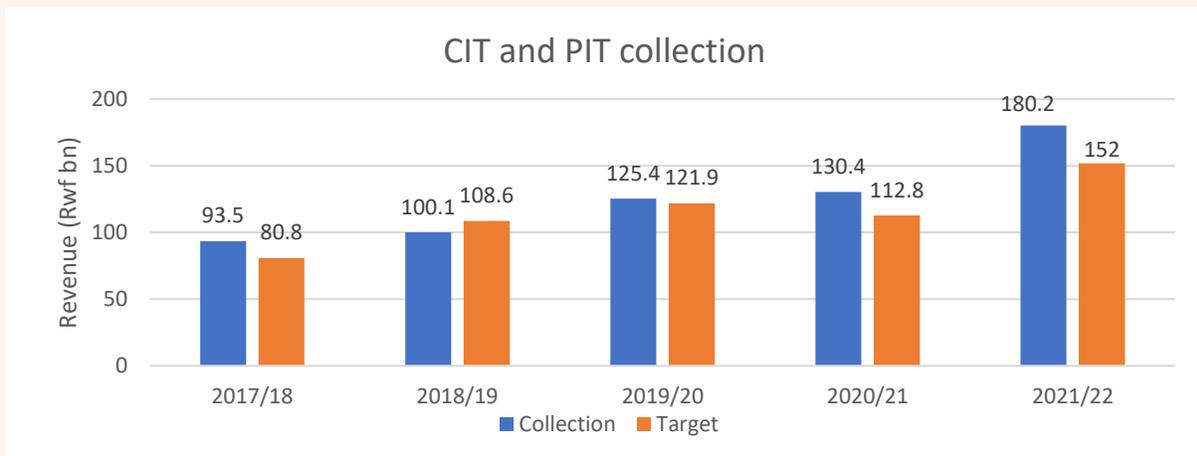
Also, the high increase in payments of WHT 15% on service fees predominantly observed in the public sector is attributed to increase in government spending that boosted the economic recovery after COVID-19.

### 2.1.2 Corporate income tax (CIT) and Personal income tax (PIT)



Figure 3 below shows the CIT/PIT trends over the last five fiscal years. There has been continuous growth in collections, and RRA has collected more than their target amount every year except FY 2018/2019.

Figure 3: CIT and PIT collection over the last five fiscal years



Focusing on payments by taxpayer and disaggregating by ISIC sector classification, the top 5 contributing sectors for the 2021/22 fiscal year are shown in Figure 4

Figure 4: Top contributing sectors (in bn Rwf) and their percentage share to the CIT and PIT paid in 2021/22

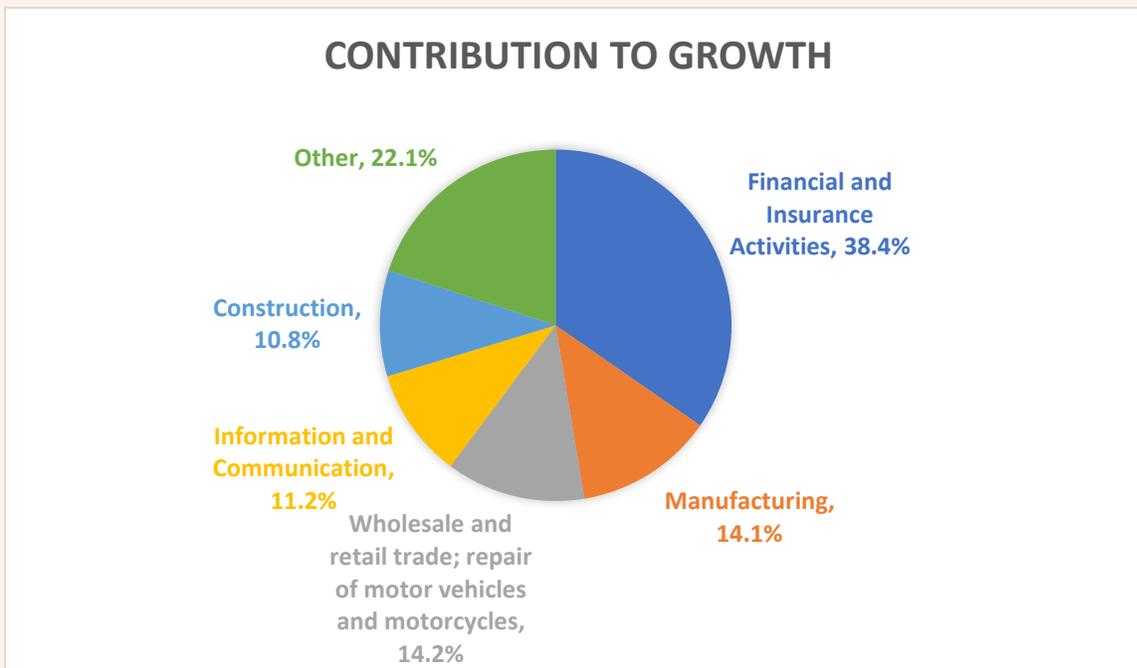
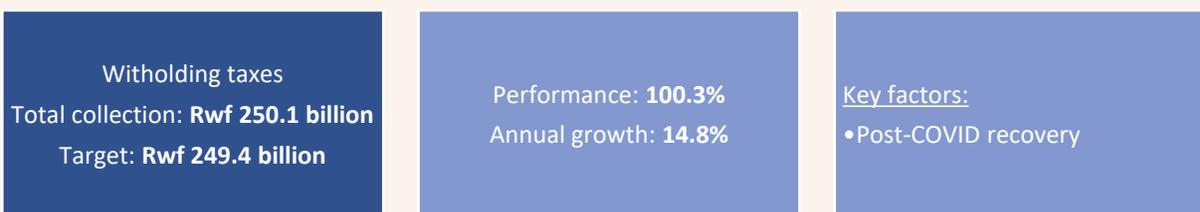


Table 3 shows the sectors with highest nominal increase in CIT/PIT payments in 2021/22. Note that Financial and insurance activities; Wholesale and retail trade, motor vehicles and motorcycles; and Construction feature as both the top contributing sectors and fastest growing sectors in FY 2021/22.

**Table 3: Sectors with highest increase in nominal CIT/PIT payments**

<i>Sector</i>	<i>Increase in payments (Rwf bn)</i>	<i>Annual growth for sector</i>
<i>Financial and insurance activities</i>	21.1	45.1%
<i>Wholesale and retail trade, motor vehicles and motorcycles</i>	7.7	43.8%
<i>Manufacturing</i>	6.7	37.6%
<i>Professional, scientific and technical activities</i>	2.9	83.3%
<i>Construction</i>	2.3	27.9%

### 2.1.3 Withholding (15%, 3% & 5%)



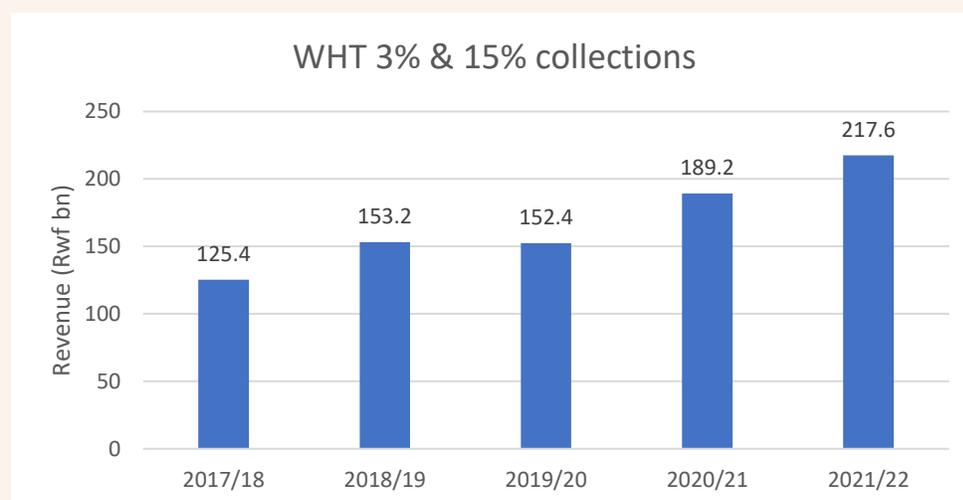
In FY 2021/22, withholding taxes 15%, 3%, & 5% (WHT) recorded a performance of **100.3%**, an excess of **Rwf 0.8 billion** on the target. When compared with collection of FY2020/21, WHT collections grew by **14.8%**, higher than the projected increase of **14.5%**, but lower than the average growth of **16.4%** for the previous three years.

#### 2.1.3.1 Withholding taxes (15% and 3%)

In FY 2021/22, collections for WHT 15% & 3% totalled **Rwf 217.6 billion**, against a target of **Rwf 217.8 billion**, a shortfall of **Rwf 0.2 billion**. This represents an achievement of **99.9%**.

Figure 5 below shows the combined performance of both 15% and 3% WHT for the last five fiscal years. There has been consistent growth over the time period.

Figure 5: WHT 15% and WHT 3% collections



Here are the sectors with the highest growth in WHT (15% & 3%) payments in FY 2021/22 compared to FY 2020/21;

<i>Sector</i>	<i>Increase in payments (Rwf bn)</i>	<i>Annual growth for sector</i>
<i>Administrative and support service activities</i>	13.7	273.6%
<i>Financial and insurance activities</i>	7	27.9%
<i>Agriculture, forestry and fishing</i>	5.4	136.8%
<i>Education</i>	4.6	36.0%
<i>Manufacturing</i>	3.7	43.3%

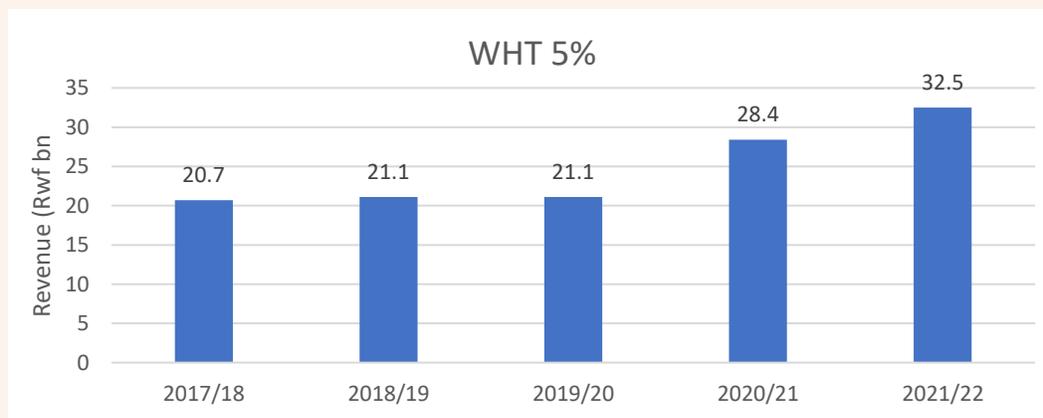
A further breakdown of the composition of WHT 15% reveals the following components from which payments decreased in 2021/22 compared to 2020/21.

<i>WHT Type</i>	<i>2020/21</i>	<i>2021/22</i>	<i>Growth</i>
<i>Interest</i>	9.8	6.9	-29.3%
<i>Public supplies</i>	27.7	25.7	-7.3%
<i>Royalties</i>	0.9	0.6	-34.1%

### 2.1.3.2 Withholding taxes 5%

In FY 2021/22, withholding tax 5% collections grew by **14.3%** against a projected growth of **10.7%**. As the WHT 5% is collected on Customs transactions, its good performance was driven by the increase in value of imports (CIF).

Figure 6: WHT 5% collections growth for the last 5 years in billion



### 2.1.4 Pay As You Earn (PAYE)

PAYE taxes  
 Total collection: Rwf 427.4 billion  
 Target: Rwf 395.6 billion

Performance: **108.1%**  
 Annual growth: **17.5%**

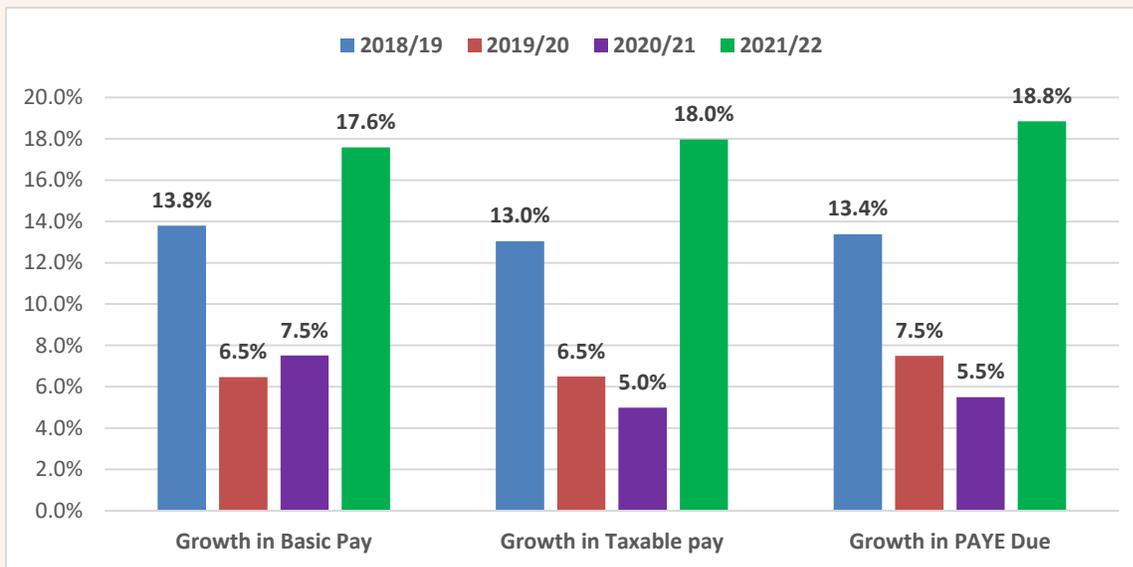
Key factors:  
 • Post-COVID recovery

A trend analysis for the last four years shows that the number of employees increased at higher growth (**12.2%**) in FY 2021/22 compared the other years. Total basic pay, taxable pay and PAYE due had similar increases as displayed in figures 9 & 10 below;

**Figure 7: Growth in average of number of employees**



**Figure 8: Total basic pay, taxable pay and PAYE due**

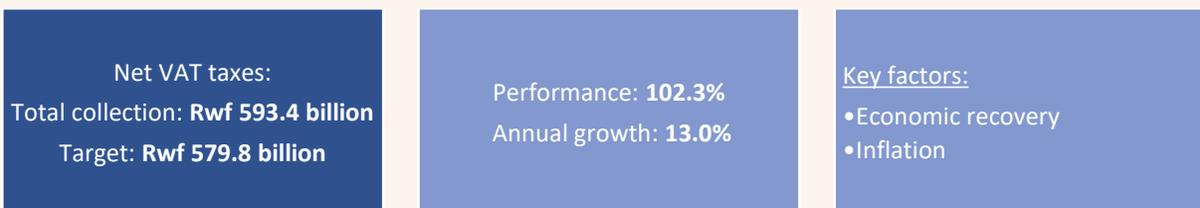


Performance of PAYE was boosted by the companies whose payments increased because of increase in number of employees (calling back employees after COVID-19), increase in salaries and performance bonuses paid.

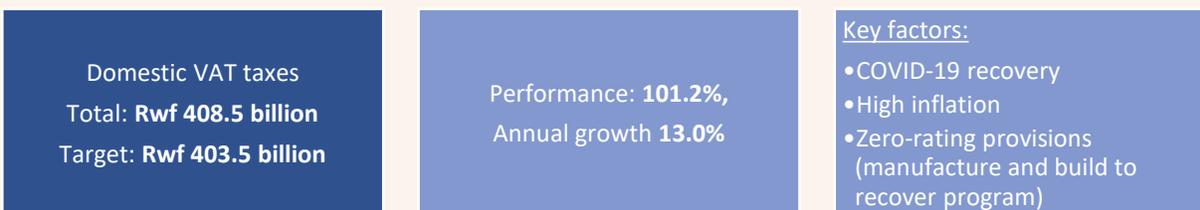
## 2.2 TAXES ON GOODS AND SERVICES

Taxes on goods and services in FY 2021/22 performed at **101.9%**, registering an excess of **Rwf 16.4 billion**, and realising a growth rate of **11.2%**, slightly above the projected growth of **10.0%**. Details of the performance of taxes on goods and services are explained below:

### 2.2.1 Net VAT collections



#### 2.2.1.1 Domestic VAT



Below are the main reasons behind the VAT performance during fiscal 2021-22. These are an increase in VAT turnover declarations, an increase in non-taxable sales, and VAT retained by public institutions.

#### 1. Increase in turnovers:

Due to economic recovery and higher inflation recorded in Semester 2 (January - June 2022), VAT taxable declared turnover increased by 22.9% in FY 2021/22 higher than the projected total consumption growth of 13.8% for FY 2021/22/22. The main major sectors (by ISIC classification) which had significant increases in their performance over the last year were:

##### a. Wholesale and retail trade:

Annual growth in this sector was 23.6% (up from 21.9% in the last fiscal year 2020/21). This sector accounts for 44.2% of total VAT turnover declarations.

##### b. Manufacturing:

Total taxable sales for manufacturing sector increased by 11.3%, nominal increase of Rwf 112.2 billion, a growth of 23.1% compared to 23.1% recorded in 2020/21.

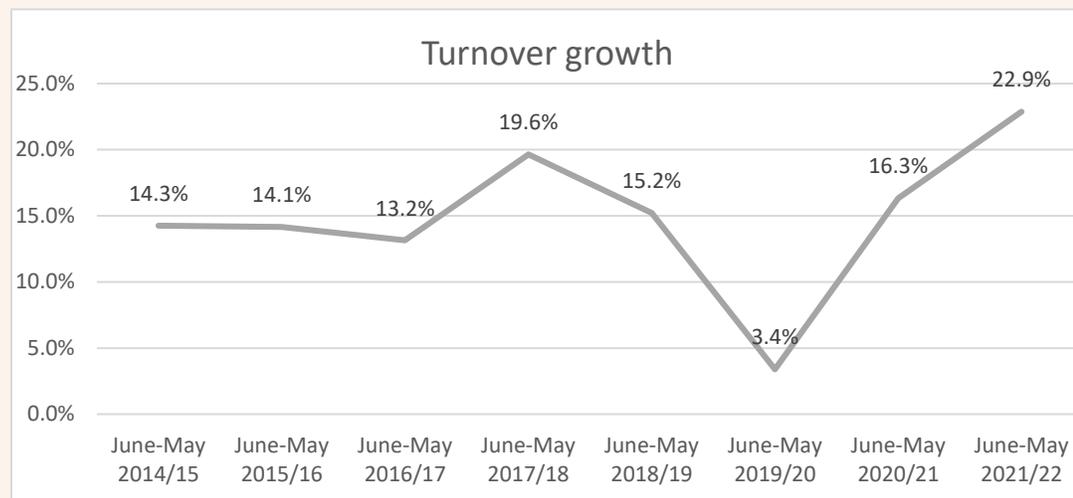
c. Construction:

Total taxable sales for construction sector increased by 14.4% equivalent to Rwf 80.6 billion in nominal terms during the year, compared to an increase of Rwf 67.4 billion realised in FY 2020/21. In terms of turnover, construction sector increased by Rwf 62.0 billion in FY 2021/22 compared to the increase of Rwf 59.8 billion realised in FY 2020/21.

d. Accommodation and food service activities:

Total taxable sales for accommodation and food service activities increased by Rwf 60.2 billion (i.e. 47.5%) in contrast to the decrease of Rwf 40.0 billion in FY 2020/21. As for turnovers, accommodation and food service activities sector grew by 52.2% in FY 2021/22. This performance is partly attributed to the hosting of CHOGM in June 2022.

Figure 9: VAT turnover growth for FY 2014/15 – FY 2021/22



2. Increase in non-taxable sales:

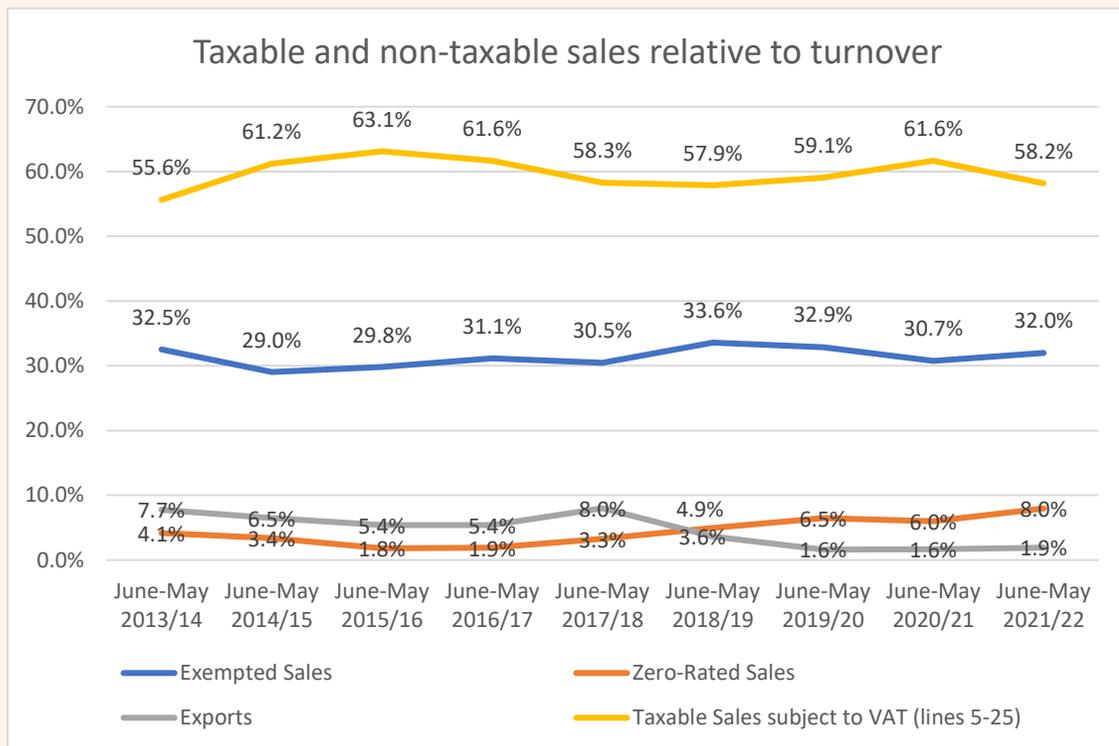
Continued growth of non-taxable sales provides a genuine threat to VAT performance going forward. Non-taxable sales (i.e. the total of exempted sales, zero-rated sales and exports) as a percentage share of total turnover climbed from **38.4%** in FY 2020/21 to **41.8%** in FY 2021/22 (an increase of 3.4% representing a turnover of **Rwf 350.5 billion** worthy VAT of **Rwf 55.5 billion**), while taxable sales declined from **61.6%** in FY 2020/21 to **58.2%** in FY 2021/22.

Exempted sales as a percentage of total turnover increased from **30.7%** in FY 2020/21 to **32.0%** in FY 2021/22, zero-rated sales as a percentage of total turnover increased from **6.0%**

in FY 2020/21 to **8.0%** and exports as a percentage of turnover increased from **1.6%** in FY 2020/21 to **1.9%** in FY 2021/22.

Among the non-taxable sales components, zero-rated sales have grown the fastest in comparison to previous years. One of the main reasons for this increase is sales to people who are benefiting from the "manufacture and build to recover program," in which the government offers VAT incentives to qualified investors in the construction, manufacturing, and agro-processing sectors.

Figure 10: Taxable and non-taxable sales relative to turnover



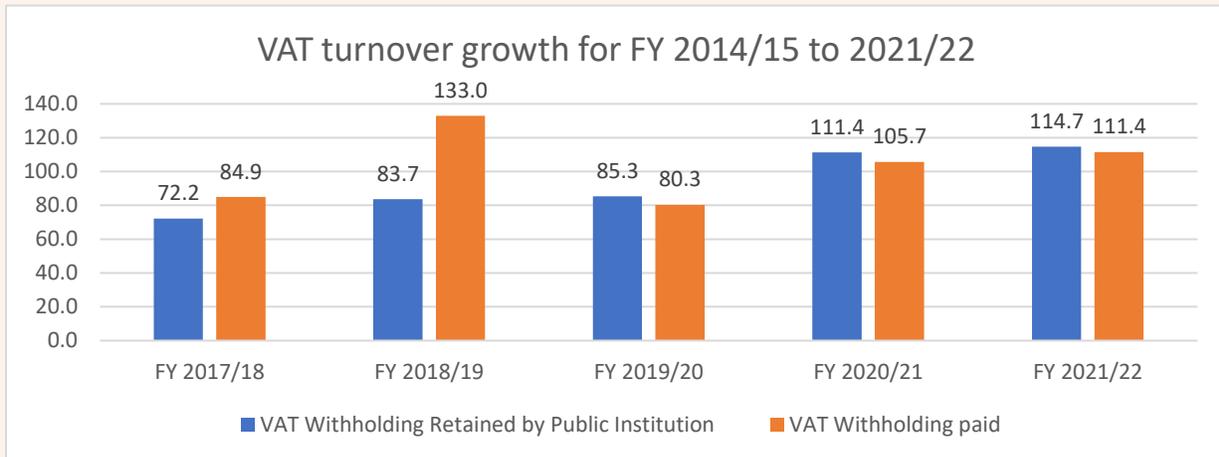
The increase in turnovers/total value of supply is a positive sign of economic recovery following the effects of Covid-19 and higher inflation recorded in semester 2. Nevertheless, enterprises that sell petroleum products as wholesalers and retailers, as well as banks, which considerably profit from exemptions and zero-rating provisions, were the main drivers of the increase in non-taxable sales, which led to the decrease of taxable sales relative to turnover.

### 3. VAT retained by Public Institutions

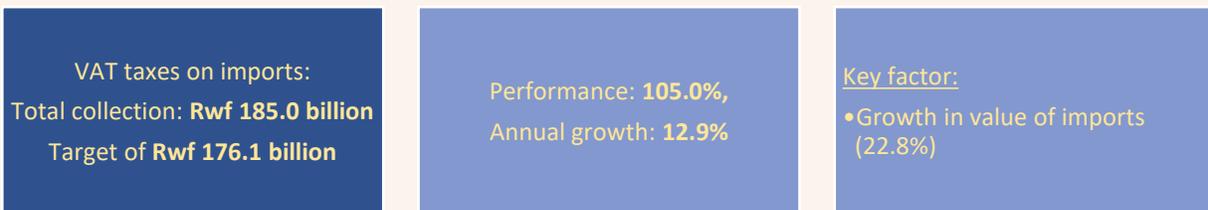
VAT Withholding by Public Institution (non-refunded) in FY 2021/22 grew by **2.9%** to **Rwf 114.7 billion** from **Rwf 111.4 billion** retained in FY 2020/21. Payments of VAT withholding

increased to **Rwf 111.4** from **Rwf 105.7** received in FY2020/21, a nominal increase of **Rwf 5.7 billion**. However, comparing the last fiscal years, shown in Figure 11, WHT retained and paid by the government progressively increased with an exception of fiscal year 2019/20 due to Covid-19 pandemic

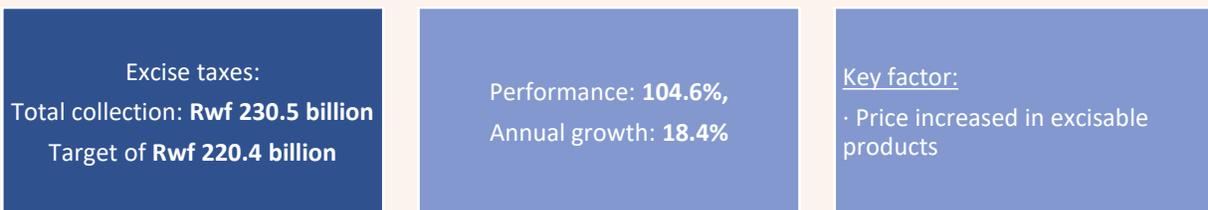
Figure 11: VAT turnover growth for FY 2014/15 to FY 2021/22



### 2.2.1.2 VAT collections on imports



### 2.2.2 Excise taxes



The largest contributors to excise taxes were the excise duty on beer (37% of total, up from 35% in FY 2020/21), followed by excise duty on fuel (29% of total, down from 35% in FY 2020/21). Excise duty on Wines and Liquors, Soft drinks, Airtime and cigarettes contributed 9%, 9%, 7%

and 6%, respectively. Table 4 breaks down the contributions of the different excise duties to overall excise tax performance.

Domestic excise taxes were 55% of the total excise tax collection, with a performance of 105.3% and growth of 19.6%. Excise duty on imports was 45% of total excise tax collection, with a performance of 103.7% and growth of 17.3%.

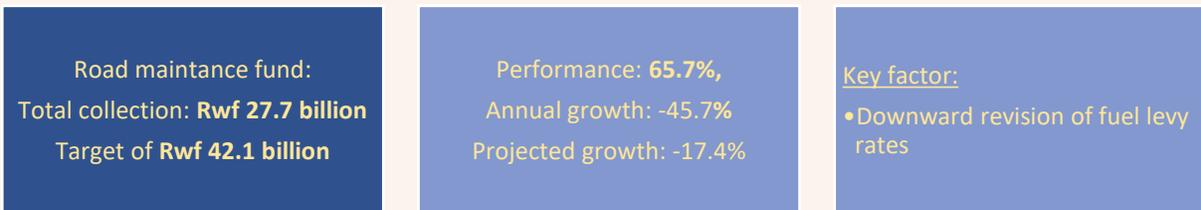
Table 4 below illustrates the performance by product and the relative contributions of each product.

**Table 4: Performance of excise duty by product**

	<i>Jul-Jun Target</i>	<i>2021/22 Actual</i>	<i>% Achievement</i>	<i>Of Annual Growth</i>
<b><i>Total Excise Duty</i></b>	<b>220.42</b>	<b>230.52</b>	<b>104.6%</b>	<b>18.4%</b>
<i>Beers</i>	80.88	84.98	105.1%	17.7%
<i>Petroleum Products</i>	65.89	67.25	102.1%	14.8%
<i>Soft Drinks</i>	16.75	19.63	117.2%	36.6%
<i>Airtime</i>	16.51	16.20	98.1%	12.1%
<i>Wines &amp; Liquor</i>	18.18	21.84	120.1%	40.5%
<i>Cigarettes</i>	15.65	14.36	91.8%	4.0%
<i>Vehicles</i>	5.59	5.13	91.7%	4.4%
<i>Milk</i>	0.85	1.05	123.7%	47.7%

## 2.2.3 Other taxes on good and services

### 1. Road maintenance fund



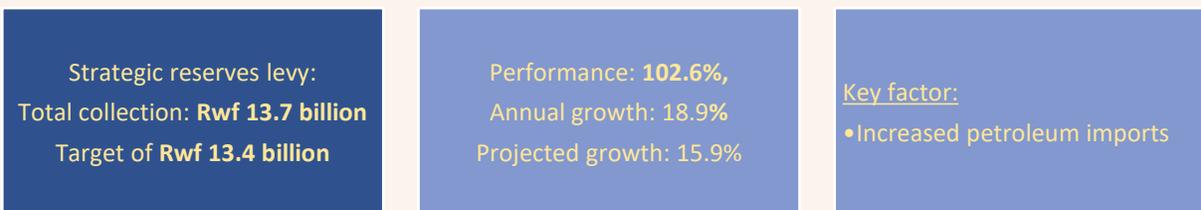
The road maintenance fund is composed of the Fuel Levy and Road Toll. It underperformed relative to projections, primarily due to changes in the levy rates over the year. The fuel levy was reduced from Rwf 115 per litre for gasoline and diesel to Rwf 55 per litre for gasoline and Rwf 82 for diesel. In April 2022, fuel levies were lowered further and taxed at zero. In nominal terms, road fund collections decreased by Rwf 23.3 billion year-on-year.

### 2. Mining royalties



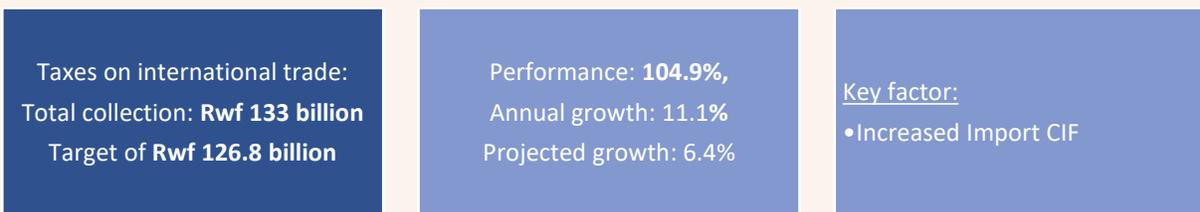
The collections from mining royalties were significantly boosted by the arrears of Rwf 3.7 billion collected from the auction of one mining company and the gradual recovery of mineral prices on the international market.

### 3. Strategic reserves levy



The strategic reserves levy is taxed based on the number of litres delivered, at a rate of **Rwf 32 per litre**. The petroleum imports (number of litres) for local consumption for FY 2021/22 increased by **19.6%**, higher than **12%** increase recorded in FY 2020/21.

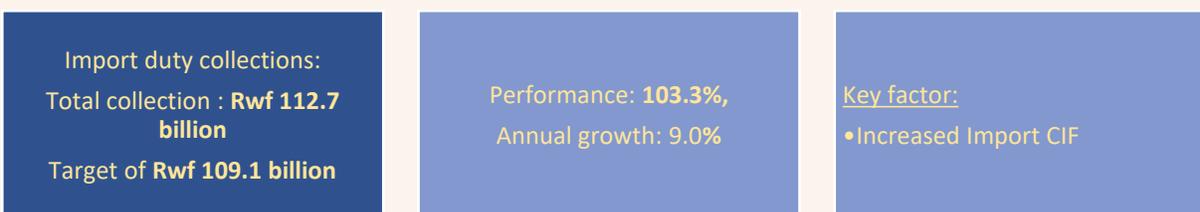
## 2.2.4 Taxes on International Trade



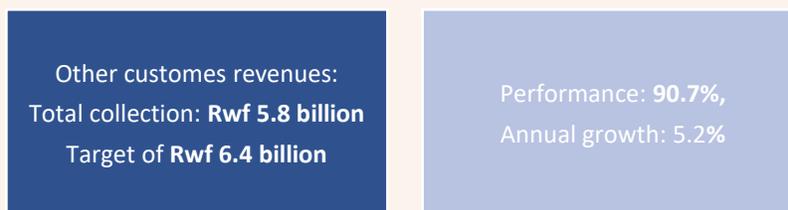
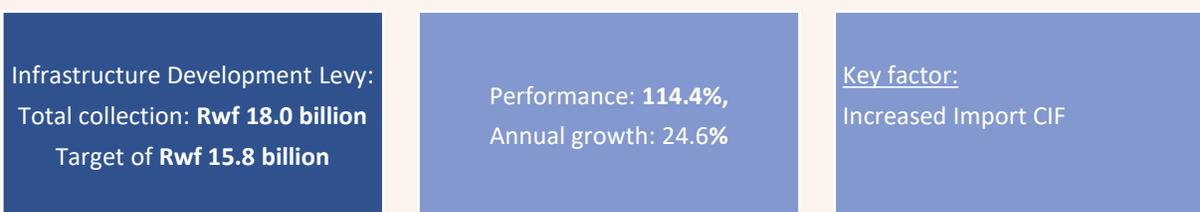
The value of import cost, insurance and freight (CIF) increased by 18.6 % from **Rwf 2,462.7 billion** in FY 2020/21 fiscal year to **Rwf 2,919.9 billion** in 2021/22 fiscal year. The CIF growth rate in FY 2021/22 was higher than the projected growth of 17.6%. This growth was the driving factor for the good performance of International Trade taxes.

The percentage share of imports from EAC and Rest of the World (Non-EAC) remained stable in FY 2021/22 compared to previous year. EAC share was 18.4% and 18.6% respectively in Fiscal years 2020/21 and 2021/22. This share has remained relatively stable over the past 5 years.

### 2.2.4.1 Import duty collections



### 2.2.4.2 Infrastructure Development Levy



Collections of other customs revenues totalled **Rwf 5.8 billion** in 2021/22 fiscal year, recording a shortfall of **Rwf 0.6 billion** to the target of **Rwf 6.4 billion** with an achievement rate of 90.7% and a growth of 5.2%.

## 2.2.5 REVENUE FOREGONE DUE TO EXEMPTION GRANTED ON IMPORTS

Customs collection for FY2021/22 would have been much better, had it not been for the increasing demand for exemptions. Customs revenue foregone due to exemptions granted on imports increased from 57.6% for the fiscal year 2019/20 to 71.9% for the year 2021/22.

Table 5: Revenue foregone due to exemptions granted on imports for FY 2019/20, 2020/21 and 2021/22

<i>Exemptions</i>	<i>2019/20</i>	<i>2020/21</i>	<i>2021/22</i>
<i>Investment code</i>	100.5	128.1	182.0
<i>Other customs laws</i>	116.6	159.1	161.1
<b><i>Total</i></b>	<b>217.1</b>	<b>287.2</b>	<b>343.0</b>
<i>Customs collections</i>	<b>377.1</b>	<b>420.9</b>	<b>476.9</b>
<i>RRA tax collections</i>	<b>1,516.3</b>	<b>1,654.5</b>	<b>1,910.2</b>
<i>Revenue foregone as % of Customs collections</i>	<b>57.6%</b>	<b>68.2%</b>	<b>71.9%</b>
<i>Revenue foregone as % of RRA tax collections</i>	<b>14.3%</b>	<b>17.4%</b>	<b>18.0%</b>

### **3 ADMINISTRATIVE MEASURES THAT SUPPORTED REVENUE COLLECTION ACHIEVEMENT**

#### **3.1 Widening tax base through taxpayer registration**

Throughout 2021/22, RRA employed various approaches to widen the tax base by bringing more taxpayers into the tax net as required by law. These approaches were centred around application of various risk rules to identify potential taxpayers to be registered for income tax, PAYE, VAT or other taxes. Consequently, a total of 1,211 taxpayers not registered and fulfilling conditions for registration were registered. Some of the risk rules used to identify non-registrants included;

1. Taxpayers whose turnover equal or exceeds Rwf 20 million in CIT/PIT but not registered for VAT: 94 taxpayers were registered in VAT.
2. Taxpayers registered for VAT with VAT account open, but not registered for income tax: 19 taxpayers were registered on income tax.
3. Taxpayers registered for income tax with turnover over 400 million but no PAYE declaration: 15 were registered on PAYE.
4. Taxpayers with CIF between 2M and 20M but not registered on PIT/CIT: **46** taxpayers were registered.
5. Taxpayers who Imported goods with CIF equal or greater than 20M but not registered on PIT/CIT: 35 taxpayers were registered for CIT/PIT.
6. Taxpayers who declared and paid trading licence  $\geq$  40,000 in 2020, but not registered in PIT/CIT: 969 taxpayers were registered for CIT/PIT while 609 were being analysed.
7. Taxpayers with no income tax and no trading license account open: 7 taxpayers were being analysed.
8. Importers with vatable goods CIF  $\geq$  Rwf 20 million in a quarter subject for VAT registration: 2 taxpayers were registered on VAT, 1 is being analysed.

Besides data matching approaches, RRA continued sensitization campaigns for voluntary registration as a result a total of **55,218** newly registered taxpayers was recorded during FY 2021-22. Newly registered taxpayers for different tax types contributed **Rwf 62.66 billion** in 2021/22 as indicated in

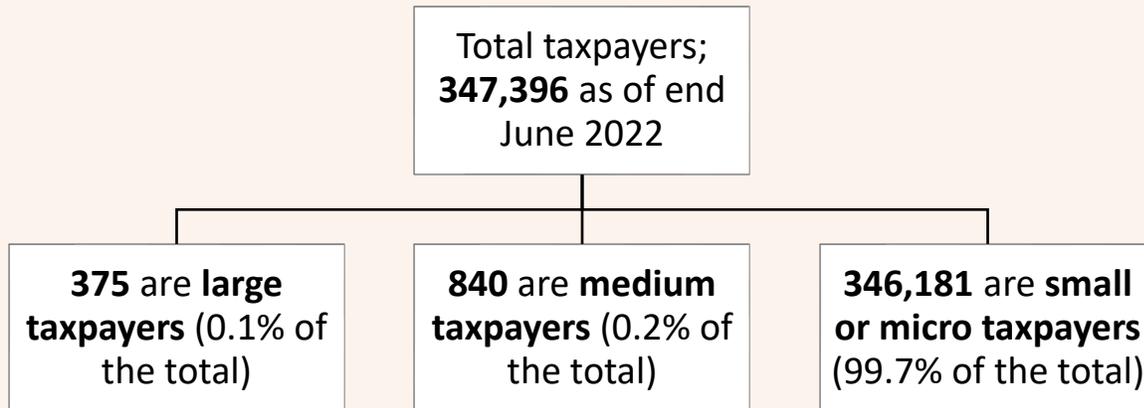
Table 5 below, compared to **Rwf 23.4 billion** recorded in 2020/21.

**Table 5: Tax contribution of newly registered taxpayers in 2021/22**

<i>Tax Type</i>	<i>Number of new registered taxpayers who paid tax in 2021/22</i>	<i>Tax paid by new registered taxpayers in 2021/22 (Bn Rwf)</i>	<i>Total tax paid by all domestic registered taxpayers in 2021/22 (Bn Rwf)</i>	<i>% Contribution of tax paid by new registered taxpayers to total tax paid in 2021/22</i>
<i>PAYE</i>	1,981	6.90	430.27	1.60%
<i>Profit Tax</i>	26,841	8.39	180.19	4.66%
<i>Excise</i>	11	0.34	126.48	0.27%
<i>VAT</i>	3,982	40.22	415.16	9.69%
<i>WHT on Public Supplies (Other than VAT)</i>	218	0.16	27.69	0.58%
<i>Other WHT</i>	1,072	6.90	189.88	3.63%
<i>Total (of above)</i>	34,105	62.66	1,369.67	4.57%

In addition, as a result of taxpayers' registration initiatives mentioned above, the net total number of taxpayers in the RRA tax register increased to **347,396** as of end June 2022 compared to **292,156** as of end June 2021. This represents a year-on-year growth of **18%** against a target of **12%**. However, the number of taxpayers who deregistered also increased, with **4,225** taxpayers deregistered during 2021/22 fiscal year subsequent to their request compared to **3,572** deregistered in 2020/21 fiscal year.

## RRA total tax Register



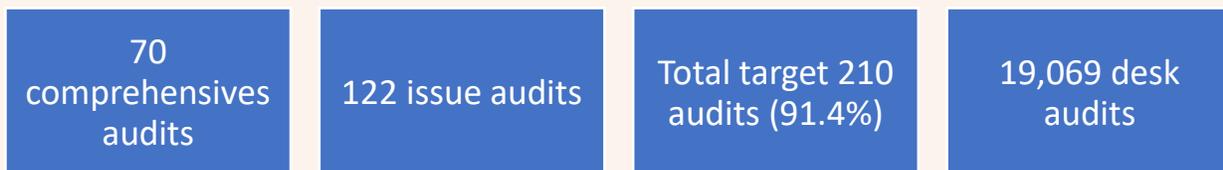
Large taxpayers contributed 44.4% (Rwf 839.4 billion) of total tax revenue, Micro, small and medium taxpayers contributed 28.7% (Rwf 543.3 billion). Customs was responsible for collecting a further 26.7% (Rwf 504.5 billion).

## Motor vehicle tax register

As of the end of FY 2020/21, there are 259,270 registered vehicles on the motor vehicle tax register. New registrations were 21,935 bringing the total motor vehicle tax register to 280,724 by June 30<sup>th</sup>, 2022. This indicates a 6.9% increase in registered vehicles.

## 3.2 TAX AUDITS AND POST-CLEARANCE AUDITS

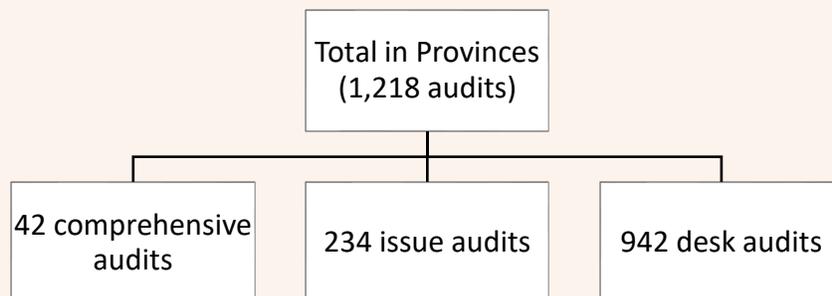
### 3.2.1 Small and Medium Tax Office (SMTO – Kigali)



The initial tax declared by taxpayers audited under categories above totalled **Rwf 7.2 billion**. However, the re-assessed tax (principal only, before appeals) totalled **Rwf 22.3 billion**, an additional assessment of **Rwf 15.1 billion**. The average tax declared by all audited SMTO taxpayers including desk audit cases amounted to **32.3%** of the total re-assessed tax (principal only, before appeals) compared to **24.8%** that was recorded during FY2020-21.

### 3.2.2 Small and Medium Taxpayers Office- RRA Provinces

Audit cases completed by small and medium tax centre in provinces:



The initial tax declared by all these cases concluded by domestic tax offices in Provinces totalled Rwf 9.5 billion. However, the re-assessed tax (principal only, before appeals) added Rwf 2.8 billion, the average additional re-assessed tax by all audited taxpayers in Provinces including desk audit cases amounted to **29.4%** of the original total tax declared though self -assessment.

### 3.2.3 Large Taxpayers Office

Large Taxpayers' Office (LTO) completed at final notice of assessment **98** audit cases (88 comprehensive audits and 10 issue-oriented audits) out of **96** cases that were planned in 2021/22 fiscal year, representing an achievement of 102.0%. In addition, 88 desk audit cases were conducted by LTO.

The initial tax declared by all audited large taxpayers totalled **Rwf 148.2 billion**. However, the re-assessed tax (principals only, before appeals) totalled Rwf 158.5 billion. This means average tax declared by audited LTO taxpayers amounted to **93.5%** of the total re-assessed tax (principals only, before appeals).

### 3.2.4 Customs Services Department

Customs Services Department (CSD) completed **220** post-clearance audit cases (70 comprehensive audit cases and 150 issue-oriented cases) against 220 planned; this is an achievement of **100%**.

The initial tax declared by all audited importers totalled **Rwf 195.6 billion**. However, the re-assessed tax (principals only, before appeals) totalled **Rwf 198.6 billion**, an additional assessment of **Rwf 3.0 billion**. The average tax declared by audited importers amounted to **98.5%** of the total re-assessed tax (principals only, before appeals).

### 3.3 COMBATING TAX EVASION

RRA continued to strengthen investigation and intelligence operations to minimize revenue leakage through fraud. The Revenue Investigation and Enforcement Department (RIED) completed 14 comprehensive investigations and 440 immediate assessment investigations. As a result, the additional amount raised through re-assessments amounted to **Rwf 2.9 billion** compared to **Rwf 3.0 billion** initially declared through self -assessments.

Surveillance operations were intensified for the goods most susceptible to smuggling and 3,198 statements of offence established. The value of smuggled goods seized in 2021/22 amounted to Rwf 2.8 billion compared to Rwf 1.8 billion of smuggled goods seized in 2020/21.

The most smuggled goods in FY 2021-22 were:

1. Second hand clothes and shoes
2. Loin clothes (Kitenge)
3. Tomato paste (Salsa)
4. Lotion (Movit and Bleaching)
5. Alcoholic drinks, especially liquor and wines.

In addition, twenty-four (24) taxpayers suspected to have carried out fraud were forwarded for prosecution since fraud is considered a serious crime under tax jurisdiction. These cases forwarded for prosecution are mainly composed of taxpayers accused of selling fictitious EBM invoices.

## 3.4 RECOVERING TAX ARREARS

### 3.4.1 Domestic tax arrears

Enforcement operations in Domestic Taxes Department recovered **Rwf 65.2 billion** compared to **Rwf 48.8 billion** recovered during FY 2020/21 representing an increase of 33.4%. The main reason for the increase during FY2021/22 is due automation of non-payment notification messages as well as automation of enforcement process.

Out of the domestic tax arrears collected in 2021/22, Rwf 13.4 billion (20.6%) was recovered from the large taxpayers; and Rwf 51.8 billion (79.4%) from the small and medium taxpayers. Domestic tax arrears collected accounted for **17.4%** of the total domestic tax arrears as at 30<sup>th</sup> June 2022.

The arrears collections by tax type are displayed in Table 6 below.

**Table 6: Domestic tax arrears collections by tax type, in billions of Rwf**

<i>Tax Type</i>	<i>FY 2021/22</i>	<i>FY 2020/21</i>	<i>Variance</i>	<i>% Change</i>
<i>VAT</i>	26.8	22.3	4.5	20.2%
<i>INCOME TAX</i>	12	9.5	2.5	26.3%
<i>PAYE</i>	12.5	11.5	1	8.7%
<i>WHT</i>	8.4	5	3.4	68%
<i>EXCISE TAX</i>	1.1	0.1	1	100%
<i>MINERAL TAX</i>	4	0.2	3.8	19%
<i>GAMING TAX</i>	0.09	0.02	0.07	350%
<i>TOTAL</i>	65.2			
<i>of which large taxpayers</i>	13.4	9.8	3.6	36.7%

<i>of which small &amp; medium taxpayers</i>	51.8	38.8	13	33.5%
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Despite efforts made in recovering tax arrears, there are still large amounts of unrecovered domestic tax arrears. Total stock of domestic tax arrears (large, medium and small taxpayers) at the end of the 2021/22 fiscal year amounted to **Rwf 524.8 billion**. This represents a year-on-year growth of **8.2%** from the **Rwf 485.1 billion** stock of arrears at the end of 2020/21.

Stock of domestic tax arrears by age are displayed in Table 7 below:

**Table 7: Domestic tax arrears by age**

<i>Age of domestic tax arrears</i>	<i>Domestic tax arrears for large taxpayers at end of 2021/22</i>	<i>Domestic tax arrears for small and medium taxpayers at end of 2021/22</i>	<i>Total domestic tax arrears at end of 2021/22</i>	<i>Percentage share to total domestic tax arrears</i>
<i>Less than 3 months overdue</i>	2.6	25.2	27.8	<b>5.3%</b>
<i>Between 3 and 6 months overdue</i>	8.2	29.3	37.5	<b>7.1%</b>
<i>Between 6 and 12 months overdue</i>	9.8	43.1	52.9	<b>10.0%</b>
<i>More than 12 months overdue</i>	83.6	326.4	410.0	<b>77.6%</b>
<i>Total</i>	104.2	424	528.2	100%

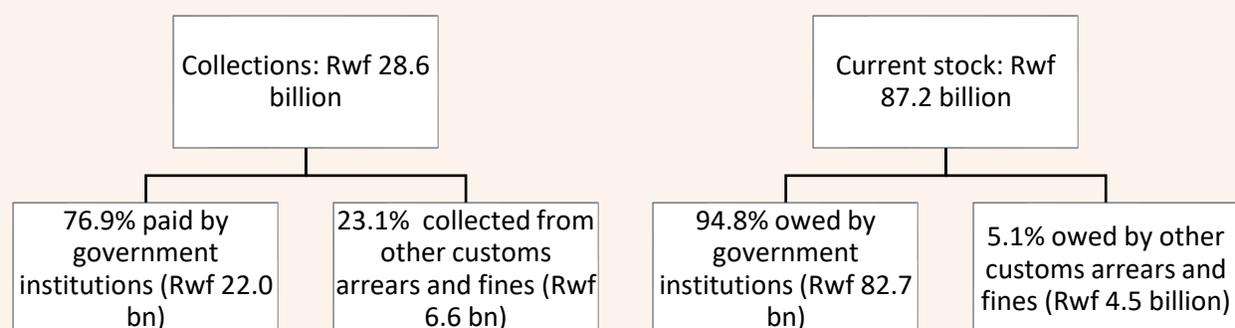
At the end of 2021/22, domestic tax arrears related to debts less than 3 months overdue totalled Rwf 27.8 billion, equivalent to 5.3% of the total stock of arrears. Domestic tax arrears related to debts more than 12 months overdue totalled Rwf 410.0 billion representing 77.6% of total stock of arrears. Small and medium taxpayers have a high amount of domestic tax arrears, accounting for 80.3% of total domestic tax arrears as of end June 2022.

Details of the categorisation of arrears are given in Figure 8.

**Table 8: Arrears category by potential to recover**

<i>Category</i>	<i>Number of cases</i>	<i>Amount of domestic tax arrears (Billion Rwf)</i>	<i>Percentage share to total amount of domestic tax arrears</i>
<i>Recoverable arrears cases</i>	22,648	173.8	33.1%
<i>Difficult arrears cases</i>	83,772	342.1	65.2%
<i>Irrecoverable arrears cases</i>	4	8.9	1.7%
<b>Total</b>	<b>106,424</b>	<b>524.8</b>	<b>100%</b>

### 3.4.2 Customs tax arrears



Details are contained in Table 9 below which displays customs tax arrears collection and stock of arrears as of end June 2022.

**Table 9: Customs tax arrears collection and stock of customs arrears as of end June 2022 (billion Rwf)**

	<i>Arrears as of 30<sup>th</sup> June, 2021</i>	<i>New arrears during FY 2021/22</i>	<i>Total arrears during FY 2021/22</i>	<i>Arrears collected during FY 2021/22</i>	<i>Arrears waived during FY 2021/22</i>	<i>Stock of arrears as of June 30<sup>th</sup>, 2022</i>
<i>Total Taxes and Duties</i>	3.6	5.9	9.4	5.5	1.1	2.9
<i>Total Fines</i>	1.5	1.2	2.8	1.1	0.1	1.6
<i>Total Taxes and duties on imports from public institutions</i>	66.0	38.7	104.7	22.0	0	82.7
<b>TOTAL</b>	71.1	45.8	116.9	28.6	1.2	87.2

### 3.5 STRENGTHEN USAGE OF ELECTRONIC INVOICING SYSTEMS

During FY 2021/22, RRA continued to strengthen electronic invoicing system by extending various electronic invoicing facilities suitable to our taxpayers' specific needs. The following EBM platforms are available for usage in issuing EBM receipts;

1. **EBM Software:** This system is installed in a taxpayer's computer (desktop, laptop, tablet or POS) for large and medium taxpayers as well as others who may apply for it. This system was used by 41,190 taxpayers in FY 2021/22.
2. **EBM Mobile System:** This system is installed in taxpayer's smart phones. Issuance of EBM receipts is done through an SMS. Eligible taxpayers to this solution are those whose annual turnover does not exceed Rwf 20.0 million. This system has been used by 22,019 taxpayers in FY 2021/22.
3. **Online EBM.** This internet-based EBM solution enables taxpayers to issue EBM receipts whenever and wherever they are. Eligible taxpayers for this solution are those in the service sector whose annual turnover does not exceed Rwf 20.0 million, and do not issue receipts frequently. This system was used by 3,235 in FY 2021/22.
4. **Online Sales Data Controller:** This solution is particularly designed for large, medium and small taxpayers who have their own invoicing systems to issue receipts over the internet. Online SDC is integrated to taxpayers' own system that interact with EBM system while issuing receipts online. This system was not used by taxpayers in FY 2021/22.
5. **Virtual Sales Data Controller:** This system works like Online Sales Data Controller except that it can continue operating while offline. Owners of such systems also express their integration request to RRA using the above-mentioned email address. 960 taxpayers used this system in FY 2021/22.

Migration from e-invoicing system V.1 to V.2: RRA continued sensitise and facilitating taxpayers to migrate from EBM V.1 to EBM V.2 EIS. Installation of e-invoicing software was done to taxpayers' machines and training provided to end users. As of end June 2022 the total number of taxpayers who had EBM V.2 totalled to **52,862** taxpayers compared to **19,852** taxpayers who had e-invoicing system V.2 by end June 2021.w. The number of taxpayers having e-invoicing system V.2 as of 30th June 2022 accounted for **76.9%** of total number (68,729) of taxpayers having e-invoicing system at the same period.

Extension of EBM usage to non-VAT registered taxpayers (NVRTs) continued throughout fiscal year 2012/22, As a result **33,624** taxpayers acquired EBM V.2 compared to **3,535** taxpayers as end June 2021.

### 3.6 TAX EDUCATION AND INFORMATION



One of RRA's key functions is to promote taxpayers' voluntary compliance through education and awareness. During FY 2021/22 RRA carried out various taxpayers' education and sensitization campaigns intended to strengthen taxpayers' engagement national wide. Major activities carried out include the following;

1. Conducted 13 workshops on tax compliance improvement plan 2021/22, these workshops include; a tax Dialogue with PSF Board Members and members of Golden Circle, a consultative meeting with Tax Advisors and ICPAR Members and consultative meeting with taxpayers in various sectors; construction sector and communication and information sector.
2. Conducted twenty-one (21) communication campaigns to increase awareness on the following tax aspects; Usage of 'EBM For All', quarterly income tax prepayment, annual income tax declaration and payment, quarterly VAT & PAYE declaration and payment, Taxpayer Appreciation Month information, the role of taxes in national development, AEO call for application, Anti-Smuggling campaigns, EBM Lottery, EBM Stock verification, Property Tax, Rental Income Tax, Trading License, and International Taxation.
3. RRA celebrated the 19<sup>th</sup> taxpayer's appreciation month with the theme "***Moving Forward Together for Economic Recovery***". During the celebration month, RRA carried out different activities that included;
  - a. Staff –connect- to- RRA senior management event where staff had an opportunity to give views on Taxpayers Appreciation Month (TAM) preparation and also briefed on medium to long term perspective of the institution.

- b. During the build up to Taxpayers' Appreciation month, RRA management carried out taxpayers 'advisory visits to 7 taxpayers operating in different fields namely; food processing, manufacturing, real estate and general commerce.
  - c. RRA organised a Volley Ball tournament through which different tax information was transmitted to participants and fan base.
  - d. Taxpayers' Appreciation Month took place in all districts and the event concluded by celebrations at national level during which best taxpayers at national level were appreciated.
4. Conducted tax education sessions, meeting, seminars and workshops on different aspects as follows; 7 workshops related to customs activities, 21 consultative meetings with specialized sectors, 33 EBM campaigns, 13 meeting on Compliance Improvement Plan as well as meeting aimed at improving taxpayers 'compliance with taxpayers identified based on data analysis. In total 1200 taxpayers from different sectors benefitted from tax, education sessions, meeting and workshops.
5. Tax education sessions with tax friend club members and students covering basic information on taxation in Rwanda were held in Lycée de Kigali (2 sessions), IFAK, Group Scolaire St Andre, and Group Scolaire St Aloys Rwamagana. A tax business dialogue technical meeting between PSF and RRA was held and chaired by the PSF Deputy CEO at PSF Boardroom Hotel and Co-Chaired by the Deputy Commissioner of Large Taxpayer Office. In addition, a high-level tax business dialogue was held and chaired by the RRA Deputy Commissioner General and the PSF Director of Advocacy.
6. An internal technical tax dialogue meeting was held and chaired by Commissioner for Domestic Taxes Department. In addition, a high-level tax platform for business competitiveness was held and 80 PSF board members and PSF Golden circle members attended. Also, during this technical dialogue meeting, RRA presented the findings of the annual Tax Compliance Improvement Plan for the year 2021/2022.



### 3.7 DISPUTE RESOLUTION

Taxpayers’ disputes were timely handled either through appeal, amicable settlement committee or court litigation.

In total, there were 1,026 appeal cases in the fiscal year 2021/22. 802 of these were completed within this fiscal year equivalent to 57.9%. However, 224 cases have been carried forward to FY 2022/23.

The appeals cases contested taxes which amounted to Rwf 33.5 billion, as assessed during RRA audit. The results of the appeals process were to reduce the amount payable to Rwf 24.8 billion, or a fall in tax liability of 26% relative to the originally assessed value.

There were 218 new requests received for amicable settlement. 60 of these were brought forward from the previous FY 2020/21. 125 cases were completed (57.3%), with a resolved tax payment of Rwf 88.1 billion. This represented only a 7.7% reduction from the originally assessed tax liability of Rwf 94.9 billion.

Regarding time taken to resolve tax appeals and amicable settlement, **7%** of disputes were resolved within good international practice standard of 30 days<sup>2</sup>, most of disputes (**93%**) were finalised over 30 days but within 60 days. **1.8%** of disputes handled under amicable settlement category were resolved over 60 days and within 90 days, while **17.8%** of disputes which are also under amicable settlement category were completed within the period over 90 days. The statutory time limit for the completion of a dispute is 60 days in the case of tax appeal and 90 days in the case of an amicable settlement. Table 10 shows time that was taken to finalize disputes in 2021/22 fiscal year.

**Table 10: Time taken to resolve disputes (tax appeals) in 2021/22**

Month	Number finalised	Finalised within 30 days		Finalised over 30 days and within 60 days		Finalised between 60 days and 120 days	
		Number	Percent of total	Number	Percent of total	Number	Percent of total
Jul 2021	31	4	13%	27	87%	0	0%

<sup>2</sup> This is based on the TADAT guidelines

<i>Aug 2021</i>	82	2	2%	80	98%	0	0%
<i>Sept 2021</i>	38	1	3%	37	97%	0	0%
<i>Oct 2021</i>	54	5	9%	49	91%	0	0%
<i>Nov 2021</i>	68	3	4%	65	96%	0	0%
<i>Dec 2021</i>	64	5	8%	59	92%	0	0%
<i>Jan 2022</i>	101	5	5%	96	95%	0	0%
<i>Feb 2022</i>	95	6	6%	89	94%	0	0%
<i>Mar 2022</i>	101	6	6%	95	94%	0	0%
<i>Apr 2022</i>	80	5	6%	75	94%	0	0%
<i>May 2022</i>	79	10	13%	69	87%	0	0%
<i>Jun 2022</i>	104	11	11%	93	89%	0	0%
<i>12 months</i>	897	63	7%	834	93%	0	0%

Regarding cases resolved by Courts, 86 cases were heard in the Courts compared to 96 cases heard during 2021/22 fiscal year, of which 67 cases were ruled in favour of RRA equivalent to 73%, and 23 cases ruled in favour of the taxpayer's equivalent to 27%.

### **3.8 REVIEWING AND DRAFTING LEGAL INSTRUMENT**

During the 2021/22 fiscal year, RRA reviewed some of its legal instruments to cater for RRA needs as well as for our stakeholders. The following laws were reviewed:

- i. Review Law n° 016/2018 of 13/4/2018 establishing taxes on income;
- ii. Draft / Amendment Law n° 026/2018 of 18/9/2018 on Tax Procedures.

In addition, the following public ruling and practice notes were prepared and published or disseminated during the 2021/22 fiscal year

- i. Public Ruling on Article 15 of Law n° 37/2012 of 9/11/2012 establishing the Value Added Tax and publication.

Practice notes on interpretation of provision related to exemption of vehicle (EAC CMA Part B 5 (3) c)

## 4 REPORT ON OTHER MAIN RRA KEY PERFORMANCE INDICATORS

RRA adopted key areas to which performance is monitored, thus in addition to the revenue performance report and administrative measures that contributed to the performance achieved, it's worth observing how our key areas of focus performed. Table 11 shows a summary of the key performance indicators, with following section providing further analysis and other indicators which are of interest.

**Table 11: Selected RRA Key performance indicators rates for 2019/20 until 2021/22**

<i>Performance Indicators</i>	<i>Status FY 2019/20</i>	<i>Status FY 2020/21</i>	<i>Status FY 2021/22</i>
<i>Tax revenue as percentage of GDP</i>	15.9%	15.9%	15.8%
<i>Tax revenue (excl. LG taxes) as percentage of national budget.</i>	49.5%	47.2%	49.6%
<i>On time filing rate (CIT/PIT, VAT, PAYE)</i>	CIT/PIT: 61.4%	CIT/PIT: 55.5%	CIT/PIT: 72.7%
	VAT: 92.2%	VAT: 93.2%	VAT: 92.7%
	PAYE: 87.6%	PAYE: 88.6%	PAYE: 94.2%
<i>Value of tax payments made by the statutory due date in percent of the value of payments declared by due date.</i>	CIT/PIT: 79.0%	CIT/PIT: 66.7%	CIT/PIT: 74.2%
	VAT: 98.9%	VAT: 90.5%	VAT: 64.7%
	PAYE: 96.8%	PAYE: 90.7%	PAYE: 91.8%

<i>Value of total tax arrears as a percentage of total tax revenue collections.</i>	21.7%	34.0%	32.5%
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## 4.1 TAX TO GDP RATIO

Tax to GDP ratio is calculated by dividing the tax revenue collected by a country, by the Gross Domestic Product (GDP) of that country, expressed as a percentage. The high ratio represents financial independence, stability and sustainability of our nation.

The table below show GDP growth trend for the last seven fiscal years:

**Table 12: Trend of tax to GDP ratio in Rwanda in billions of Rwf (2015/16-2021/22)**

<i>Fiscal Year</i>	<i>2015/16</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>	<i>2020/21</i>	<i>2021/22</i>
<i>Tax Revenue (billion Rwf)<sup>i</sup></i>	986.7	1,086.5	1,234.1	1,399.5	1,494.8	1,635.8	1,887.2
<i>Nominal GDP (billion Rwf)</i>	6,321	7,125	8,014	8,713	9,399	10,279	11,976
<i>Tax to GDP ratio</i>	15.6%	15.2%	15.4%	16.1%	15.9%	15.9%	15.8%

**Tax to GDP ratio rate slightly decreased from 15.9% to 15.8% in FY 2021/22.** The main reasons for the slight fall are attributed to the following macroeconomic factors;

1. High inflation in non-vatable products in January-June 2022 which reduced disposable income for the household to spend on vatable and excisable products.
2. An increase in exempted sales and exports lowered taxable sales as a proportion of turnover.
3. Change in reporting standards, introduction of GFS 2014, which removed some components (e.g. road toll, other customs revenue, interest and penalties) from the measure of Tax in Tax to GDP ratio.
4. Government subsidies on fuel levy due to international oil price growth.

## 4.2 PERCENTAGE CONTRIBUTION OF TAX REVENUE COLLECTION TO NATIONAL BUDGET

This is the amount of annual tax revenue collection transferred to the national treasury as percentage of the total national budget.

The percentage contribution of tax revenue to national budget increased from **55.6%** in 2016/17 to **58.3%** in 2017/18. However, it decreased for the subsequent three years, with this fiscal year marking a recovery. Table 13 gives more detail.

**Table 13: Percentage of tax revenue to national budget in Rwf billions**

<i>Fiscal year</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>	<i>2020/21</i>	<i>2021/22</i>
<i>Tax revenue (billion Rwf)<sup>3</sup></i>	1,086.5	1,234.1	1,399.5	1,494.8	1,635.8	1887.2
<i>Budget (billion Rwf)</i>	1,954.2	2,115.4	2,585.2	3,017.1	3,464.8	3807.0
<i>Tax as % of Budget</i>	55.6%	58.3%	54.1%	49.5%	47.2%	49.6%

Source: MINECOFIN and RRA, 2022

As mentioned in annual report for FY 2020/21, the main reasons for the above decreases in 2018/19 to 2020/21 were the following:

1. In 2018/19 fiscal year, outlays under Net Lending increased by 22.7%. from Rwf 160.0 billion in 2017/18 to Rwf 196.3 billion in 2018/19. This was mainly due to the front loading of working capital funds to Rwandair. This front loading became necessary as the company has expanded its operations after the acquisition of some additional aircrafts. It is expected that these outlays shall have positive impact in medium term.
2. In 2019/20, the health emergency resulting from the corona virus pandemic necessitated some emergency spending. The total COVID-19 related expenditure amounts **Rwf 109.1 billion**. These can be classified in six broad categories.

- a. Health related spending: represented in total Rwf 25.8 billion.
  - b. Social Protection and Agriculture related expenditure: totalled Rwf 59.3 billion.
  - c. Education: Rwf 745 million to support activities related to evacuation of students from schools including boarding schools all other the country at the beginning of the COVID-19 outbreak.
  - d. Private sector/Trade facilitation: totalling Rwf 10.8 billion. This represents mainly the Government initiative to accelerate VAT refunds as a way of boosting business cash flow, and the activities of trade facilitation including border infrastructure.
  - e. Infrastructure: Rwf 500 million for water supply and sanitation facilities.
  - f. Support to State-owned enterprises: Rwf 12 billion as additional support to Rwandair as the company was not generating revenue from transport of passengers.
3. Also in 2020/21 fiscal year, the health emergency resulting from the COVID-19 pandemic still necessitated emergency spending towards health and other priorities to support the economy identified under the Government Economic Recovery Plan. The total COVID-19 related expenditure amounts Rwf 366.4 billion for the period July 2020 to June 2021. These can be classified in four broad categories:
- a. Health related spending: represented in total Rwf 50 billion, these include direct health spending such as acquisition of health commodities and equipment and operational costs of quarantine centers.
  - b. Social Protection and Agriculture related expenditure: totalled Rwf 119.4 billion. These include traditional social protection schemes that needed to be expanded: public works and direct transfers to vulnerable groups, strategic food reserves and food distribution related costs as well as other social protection initiatives.
  - c. Private sector/Trade facilitation: totalling Rwf 102.4 billion. This represents mainly the spending under the Economic Recovery Fund as a way of supporting businesses most affected by COVID-19, and the activities of trade facilitation including border infrastructure.
  - d. Education: Rwf 94.6 billion to support different measures to reduce overcrowding enable social distancing, and improve hygiene. These include fast-tracking of classroom construction as well as installation of water facilities in schools.
4. The upturn in fiscal year 2021/22 is due to economic recovery that impacted domestic resource mobilisation, the economy was projected to grow by 8.5% and recorded a real

GDP growth of 8.9%. This growth boosted tax revenue collection as well as government spending, total tax collection for FY 2021/22 amounted to Rwf 1887.2 billion equivalent to 104.3% achievement against the target.

### 4.3 ON-TIME RETURNS FILING RATIO

This is the number of tax returns filed by the statutory due date (on-time returns filing) as percentage of the number of tax returns from all registered taxpayers required by law to file returns (expected tax returns). In this report, three major tax types were considered namely VAT, PAYE and Income Tax (CIT & PIT).

#### 4.3.1 On-time returns filing ratios for VAT and PAYE

The Table 14 below indicates the on-time returns filing ratios for VAT and PAYE during 2021/22 fiscal year.

Table 14: On time returns filing rates for VAT and PAYE in FY 2021/22

<i>Tax Segment</i>	<i>LARGE</i>		<i>MEDEUM</i>		<i>SMALL</i>	
<i>Tax Head</i>	VAT	PAYE	VAT	PAYE	VAT	PAYE
<i>2021 / 07</i>	97.8%	98.0%	95.3%	95.1%	88.6%	91.9%
<i>2021 / 08</i>	97.9%	98.0%	94.9%	95.0%	85.5%	91.8%
<i>2021 / 09</i>	97.5%	98.3%	95.8%	94.7%	87.7%	91.7%
<i>2021 / 10</i>	96.8%	98.3%	95.5%	94.7%	87.7%	90.5%
<i>2021 / 11</i>	98.2%	97.5%	93.9%	94.5%	83.8%	91.2%
<i>2021 / 12</i>	97.5%	97.2%	94.9%	93.7%	87.3%	89.8%
<i>2022 / 01</i>	96.4%	97.2%	94.5%	94.3%	88.0%	90.7%

2022 / 02	96.1%	97.5%	93.8%	94.0%	82.2%	90.4%
2022 / 03	97.1%	96.9%	94.2%	94.1%	87.2%	90.1%
2022 / 04	97.5%	96.9%	93.9%	93.5%	87.3%	89.9%
2022 / 05	97.5%	96.9%	93.6%	93.6%	83.3%	90.0%
2022 / 06	97.8%	97.5%	93.8%	94.1%	87.4%	91.3%
<i>Average</i>	97.3%	97.5%	94.5%	94.3%	86.3%	90.8%

As shown in Table 14 above, the monthly on-time VAT and PAYE filing rates fluctuated overtime with small taxpayers recording the lowest average filing rates of 86.3% and 90.8% for VAT and PAYE respectively. For small taxpayers fluctuated over time reaching highest and lowest compliance level of 88.6% and 82.2% respectively. Also, the monthly on-time PAYE filing rates for small taxpayers fluctuated, recording the lowest rate of 89.8% and highest rate of 91.9%. Small; thus, more efforts are needed to raise compliance of VAT and PAYE for small taxpayers.

#### 4.3.2 On-time returns filing ratios for income tax (CIT and PIT)

The on-time returns filing ratio is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers. Table 15 breaks down the on-time returns filing ratio by taxpayer segment. Large taxpayers were the most likely to file on time, whilst small taxpayers were the least likely, however small taxpayers recorded the largest improvement in filing compliance ratio from 55.5% recorded in FY 2020/21 to 72.5% for the FY 2021/22.

**Table 15: On time returns filing ratios for income tax (CIT and PIT) for 2020 tax period**

<i>Taxpayer segment</i>	<i>Expected Declarations for year 2021</i>	<i>Tax for Declarations year 2021</i>	<i>On-Time Declarations year 2021</i>	<i>Tax for filing ratio for year 2021</i>	<i>On-time filing rate for year 2020</i>
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<i>Large taxpayers</i>	281	267	95.0%	99.3%
<i>Medium taxpayers</i>	643	578	89.9%	91.1%
<i>Small taxpayers</i>	92,064	66,768	72.5%	55.5%

### 4.3.3 Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically without the direct intervention of tax administration. Table 16 shows the electronic filing status in four past fiscal years.

**Table 16: Use of electric filing (% of all declarations)**

<i>Tax type</i>	<i>FY 2018/19</i>	<i>FY 2019 /20</i>	<i>FY 2020/21</i>	<i>FY 2021/22</i>
<i>EXCISE</i>	97.8%	100.0%	100.0%	100.0%
<i>CIT</i>	99.8%	100.0%	99.0%	98.7%
<i>PAYE</i>	100.0%	100.0%	100.0%	99.9%
<i>PIT</i>	97.1%	100.0%	97.4%	99.4%
<i>VAT</i>	99.9%	99.9%	97.3%	96.1%
<i>LARGE TAXPAYERS ONLY</i> <i>(ALL CORE TAXES)</i>	100%	100.0%	96.0%	97.9%

Most e-filing rates were above 96.0% with VAT recording the lowest rate of 96.1%. The rates under 100% were due to some cases where RRA staff provided support to taxpayers using their own personal access rights. The RRA promotes electronic filing through a number of avenues and provides a range of opportunities and support to encourage taxpayers to use the e-tax filing portal and mobile declarations (all phones).

## **4.4 TIMELY PAYMENT OF TAXES**

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment. In this report, two performance indicators are used.

### **4.4.1 On-time tax payment ratio**

This is the amount of tax paid by due date as percentage of amount of tax declared by due date. It is worth noting that this figure therefore excludes the tax paid by taxpayers who file late.

Large taxpayers had an on-time tax payment ratio of 96.7% for income tax (CIT & PIT), 90.5% for VAT and 91.4% for PAYE.

**Medium taxpayers** registered on-time tax payment ratios of 87.8% for income tax compared to 83.4 % recorded in FY2020/21. VAT and PAYE recorded on-time payment ratio of 87.4% and 94.6% respectively.

**Small taxpayers** registered on-time tax payment ratios of 74.2%, 87.7% for PAYE and VAT recorded the lowest on-time payment ratio of 64.7%.

For all taxpayer segments VAT recorded the lowest on-time payment ratio thus more interventions are necessary to raise on-time payment for VAT.

CIT&PIT recorded the lowest average on time payment ratio of **74.2%**. The low on-time payment ratio was mainly because of low compliance for small taxpayers, yet still represents an increase from the previous years on time payment ratio of **66.7%**.

## 4.5 TAX ARREARS AS A PERCENTAGE OF TOTAL TAX REVENUE COLLECTIONS

This indicator looks at the ratio between taxes due to the government but not paid (tax arrears) relative to total taxes due and collected (tax revenue collections). The ratio indicates the relative performance of tax administration in tax debt recovery.

A ratio below 10% indicates performance that meets or exceeds international practice. A ratio from 10% to 20% indicates a healthy level of performance but below international good practice. A ratio above 20% indicates weak performance relative to international good practice.

Table 17 below shows the value of total tax arrears as percentage of total tax revenue collections in 2020/21.

**Table 17: Value of total tax arrears as % of total tax revenue collection**

<i>Tax Office</i>	<i>Previous year ratio (FY 2020/21)</i>	<i>Value of total tax (Stock) as of 30 June 2022 (Billions Rwf)</i>	<i>Total tax revenue collection 2021/22 (Billions of Rwf)</i>	<i>Value of total tax arrears as a percentage of total tax revenue collections in 2021/22</i>
<i>LTO</i>	12.5%	104.2	839.4	12.4%
<i>SMTO &amp; Provinces</i>	91.0%	424	543.3	78.0%
<i>Total DTD</i>	41.7%	528.2	1,382.7	38.2%
<i>Customs</i>	15%	87.2	504.5	17.3%
<i>Total tax arrears</i>	34%	615.2	1887.2	32.5%

During the FY 2021/22, the ratio of total tax arrears to total tax revenue was **32.5%** vs 34% in previous fiscal year. Though the ratio reduced by 1.5% for FY2021/22 to FY2020/21, This ratio **is very high** in comparison to the **10%** ratio of international good practice.

RRA has broken down its domestic tax arrears (tax due but not paid) into three categories. Of the Rwf 528.2 billion owed domestically, 33.1% (Rwf 173.8 bn) is considered recoverable, 65.2% (Rwf 342.1 bn) is considered difficult to collect, and 8.9% (Rwf 8.9 bn) is considered irrecoverable.

More efforts in reducing the stock of tax arrears are needed. This will require strengthening of enforcement operations, writing off bad debts and engagement of MINECOFIN for recovery of tax arrears owed by government institutions.

## 4.6 EBM ACQUISITION RATIO

This is obtained by dividing the number of VAT registered taxpayers having EBMs at a given period by the number of VAT registered taxpayers expected to have EBM at the same period.

For this fiscal year, the EBM acquisition ratio was 97.4%. This is out of 39,879 VAT registered taxpayers.

## 4.7 Key Performance Indicators

Table 18 below presents a summary of Key Performance Indicators status for the three previous fiscal years.

**Table 18: A summary of RRA Key Performance Indicators from 2019/20 to 2021/22**

<i>Performance Indicators</i>	<i>Status FY 2019/20</i>	<i>Status FY 2020/21</i>	<i>Status FY 2021/22</i>
<i>Tax revenue as percentage of GDP</i>	15.9%	15.9%	15.8%
<i>Tax revenue (excl. LG taxes) as percentage of national budget.</i>	49.5%	47.2%	49.6%
<i>VAT collections as a percentage of total tax collections.</i>	32.9%	32.5%	32.0%
<i>% Change in the net total number of taxpayers in RRA tax register.</i>	18.3%	27.3%	18%

<i>Proportion of newly registered taxpayers to net total number of taxpayers in RRA tax register.</i>	16.4%	22.7%	18.9%
<i>Proportion of telephone enquiry calls answered within 6 minutes' waiting time to total number of telephone enquiry calls received.</i>	99.6%	95.7%	96%
<i>On time filing rate (CIT/PIT, VAT, PAYE)</i>	CIT/PIT: 61.4%	CIT/PIT: 55.5%	CIT/PIT: 72.7%
	VAT: 92.2%	VAT: 93.2%	VAT: 92.7%
	PAYE: 87.6%	PAYE: 88.6%	PAYE: 94.2%
<i>Electronic returns filing rate</i>	100%	98.7%	98.6%
<i>Value of tax payments made by the statutory due date in percent of the value of payments declared by due date.</i>	CIT/PIT: 79.0%	CIT/PIT: 66.7%	CIT/PIT: 74.2%
	VAT: 98.9%	VAT: 90.5%	VAT: 64.7%
	PAYE: 96.8%	PAYE: 90.7%	PAYE: 91.8%
<i>Value of total tax arrears as a percentage of total tax revenue collections.</i>	DTD: 27.4%	DTD: 41.8%	DTD: 27.4%
	CSD: 7.1%	CSD: 15.0%	CSD: 17.3%
	Total: 21.7%	Total: 34.0%	Total: 32.5%
<i>Tax arrears more than 12 months old as a percentage of the value of all tax arrears.</i>	DTD: 56.5%	DTD: 77.6%	DTD: 77.6%
	CSD: -	CSD: %	CSD: %

<i>Amount collected from tax arrears as percentage of available debts to collect.</i>	Total: -	Total: 58.9%	Total: 66.7%
	LTO: 19.0%	LTO: 10.3%	LTO: 20.6%
	SMTO & Regions: 14.5%	SMTO & Regions: 9.0%	SMTO & Regions: 79.4%
	CSD: 48.5%	CSD: 21.1%	CSD: 24.5%
			Total: 14.5%
<i>Number of tax appeal's cases ruled by courts in favour of tax administration as a percentage of total number of tax appeal's cases ruled by courts.</i>	83.3%	71.3%	73%
<i>Number of importers benefiting from fast track and facilitation schemes (Gold card scheme and AEO program).</i>	15,609	13,941	13,779
<i>Number of VAT registered taxpayers having an electronic invoicing system certified by the Tax administration as percentage of total VAT registered taxpayers.</i>	85.4%	98.0%	97.4%
<i>Staff turnover rate (only staff who left the institution voluntarily e.g., leave of absence and resignation).</i>	1.4%	0.96%	2.3%
<i>Percentage of fully implemented audit recommendations that are at least 12 months old.</i>	AG: 61.7%	AG: 61.4%	AG: 52%
	IA: 51.1%	IA: 49.8%	IA: 44%

	QMS: 64.1%	QMS: 61.4%	QMS: 55%
	Total: 55.3%	Total: 56.2%	Total: 58.1%
<i>Percentage of RRA annual budget execution.</i>	112.8%	90.2%	106.6%
<i>Cost of collection ratio.</i>	2.8%	2.6%	2.5%

## 5 IMPLEMENTATION PROGRESS REPORT ON THE RRA MAIN PROJECTS

During the 2021/22 fiscal year, RRA implemented different projects aimed at improving services delivery critical to RRA mandate.

Key projects that continued to be implemented during fiscal year 2021/22 include:

1. Taxpayer's account and reconciliation update
2. E-tax enhancement
3. Electronic Single Window enhancement (ReSE Phase II)
4. Authorised Economic Operators
5. Integration of Sage X3 with IFMIS

### 5.1 TAXPAYERS' ACCOUNTS RECONCILIATION AND UPDATE

This project aimed to reconcile and update taxpayer accounts to ensure the balances are accurate. The project started in May 2019 with its milestones to be completed in three phases covering scoping study, reconciliation and update of large and medium taxpayers, and reconciliation and update of accounts for Small and Micro taxpayers. The following activities were performed during 2021/22 fiscal year:

1. Cleaning of suspense account project
  - a. Matching transactions on suspense accounts in the system (SIGTAS) with bank statement, the exercise is still ongoing, out of Rwf **85.8 billion** recorded in suspense account, the total amount equivalent to Rwf **79.9 billion** has been traced (from Rwf 77.9 billion as of end June 2020), and Rwf **5.9 billion** untraced reflecting **93%** progress status for transaction matching.
  - b. Identifying the TIN, Taxpayer's names, tax type and tax period; transactions for Rwf **65.4 billion** have been identified out of Frw79.8 billion and allocated to respective taxpayer's accounts representing 82% of total progress.
  - c. Reversing identified transactions from suspense account and capture them in respective taxpayer account. Transactions for Rwf **52.1 billion** out of Rwf **65.3 billion** have all been allocated to respective taxpayer accounts; this reflects 79.7% of the total amount reversed after identification.
2. Taxpayers account reconciliation (private, public large institutions, NGOs, cooperatives, Associations and Embassies)
  - a. Out of **282** private large taxpayers, **277** completed while **5** are in final process of being captured in E-TAX

- b. **35** NGOs- large taxpayers were completed
- c. Out of 58 total large public institutions under reconciliation, **26** have been completed and **32** are in progress
- d. Out of **697** medium taxpayers, **400** completed while **297** are in process of being captured in ETAX.
- e. 68 NGOs, Embassies and cooperatives were completed
- f. 15 Medium Public institutions completed out of 52 institutions while the reconciliation for remaining 37 institutions is in progress.

## **5.2 E-TAX ENHANCEMENT**

During 2021/22 fiscal year, E-tax enhancement process continued and progress was made on the following key activities:

1. Automate the pre-populated PAYE returns for private institutions
  - a. Business requirements were prepared and validated, development of Application Programming Interfaces (APIs) on RRA side completed, full integration is pending completion of RSSB system.
2. Automate the application and issuance of Tax Clearance Certificate-Quituz Fiscal
  - a. Business requirements were prepared, validated, and submitted and the Quituz application system was developed and implemented. Improvement of application process for TCCs is in progress to enable display of tax account statement during application process and also adding other internal system controls that facilitate easy tracking of TCCs application process.
3. Continue systems integration between E-tax and Rwanda Cooperative Agency (RCA)
  - a. System integration was developed and implemented. Cooperatives are registered through the RCA portal and get the TIN generated by RRA systems without visiting RRA premises.
4. Automate the non-payment notification messages
  - a. The functionality was developed and implemented, after the due date, the assessment notice is auto-generated and sent to Non -payers.

5. Integration of debts management module in e-Tax system with Government payment system/IFMIS
  - a. The *debt to invoice* garnishment process through the IFMIS was developed and it's now ready for implementation, once implemented IFMIS shall be able to automatically notify E-tax after deducting payment of tax liability and update tax account.
6. Develop CIT & PIT validation controls phase II
  - a. System development was completed and these validation controls implemented;  
  
Tax credits
    - b. Validation controls prevent claiming of foreign tax credits without attaching tax credit from foreign countries.
7. Validation control to detect and prevent taxpayers from exceeding the loss declared in the previous period within the statutory five years.
8. Validation controls to accept expenses support by WHT, EBM invoices, DMCs and other non-supported expenses accepted by accounting principles.
9. Enhance the tax account module to automatically fetch refunds and credit notes approved and paid. The functionalities were developed and implemented in the system. Refund approved and paid as well as credit note approved/used appear in the tax account reports and on acknowledgement receipts.
10. Enhancement of Registration module
  - a. The user interface (RRA staff interface) that will be used to retrieve the documents submitted online by taxpayers during the application for de-registration was completed and deployed and ready use. In addition, online registration for non-business individuals who may want to get TIN for personal use was implemented and registration can be done without visiting the RRA premises.
11. Enhancement of Debt Management module
  - a. Automatic issuance of warning and reminder letters for the arrears resulting from unpaid tax returns was developed and implemented, new debt management manual was automated especially the new approval levels in the case management workflow within the debt module of E-Tax, developed system functionality to allow staff to revise tax declaration when tax account is closed within the E-tax.

## 12. Enhancement of Refund Management module

- a. Developed automatic offset of arrears on authority to refund to automatically offset tax arrears while processing the refund payment. Completed and deployed in production the option to upload the Bank statement and capturing the name of the donor for privileged refund requests as well as option to retrieve the privileged refund acknowledgement receipt within the E-Tax system.

### **5.3 THE RWANDA ELECTRONIC SINGLE WINDOW (ReSW) PHASE II**

This project creates a one-stop shop for Customs operations, so all taxpayers declare through the same window. This will improve coordination and cooperation in clearing and transiting goods in Rwanda, as well as being more user friendly.

ReSW phase II is intended to further enhance performance of customs management systems and trade facilitation services by implementing; Single Transaction Portal (Single Sign-on), Commodity- Based Single Applications, Advance ruling, Standard Commodity Description, Authorised Economic Operators, Advance Passenger Information (API) and Special Economic Zone. Below is a summary of key achievements made during 2021/22 fiscal year:

1. Development and implementation of the Single Transaction Portal (Single sign-on): The STP component had 3 deliverables which are capacity of stakeholders involved to view the Customs declarations, have a risk selectivity in releasing customs declarations by other government agencies and handling exemptions through STP;
2. Development of the Single Transaction Portal has been finalized and stakeholders are able to view the customs declarations in the Single Transaction Portal, Risk selectivity has been finalized and piloted at Customs operations offices and extended to SDV and DP World Customs controlled areas.
3. The module for E- Exemption was also finalised and deployment into operation will be done after training of the end users, also modules for electronic payment, reporting and Customs Entry/Exit Card Module have been completed.
4. Integration with RURA completed and Type approvals are received in the system, Customs and other regulatory agencies are able to grant the required permits while business requirements for integration with RMB (Rwanda Mines, petroleum and Gas Board) were developed and validated.

5. Development and implementation of the Advanced Passenger Information (API) modules: The development of the integration on RRA side was finalized however, there was need for DGIE to consider working on the integration requirements on DGIE because the initial requirements were changed.
6. Development and implementation of electronic applications for Special Economic Zone (SEZ): The module was successfully developed. The sensitization and awareness for the SEZ operators and clearing agencies was conducted before roll out of the piloting phase.
7. Authorized Economic Operator Services Digitalization: Completion: The system requirements were developed on both National and on the regional level and validated. The development of the module on the national level finalized and deployed on the test server where the testing of quality assurance was finalized and presented to the Risk Management Department as Custodian of AEO project. Integration at regional level is pending completion of national systems to be integrated at regional platform.
8. Commodity Based Application: Development of this component is dependent on the completion of the integration with NAEB and RICA, system requirements are still under the validation process for the integration with RICA and NAEB.

## **5.4 AUTHORIZED ECONOMIC OPERATORS (AEO), PHASE II**

Authorized Economic Operators (AEO) are accredited firms that have been assessed and classified by RRA as compliant in Customs clearance processes. In return for accreditation, firms receive fewer checks at Customs for goods travelling within the East African Community (EAC), though the specifics depend on the operator category of business.

Authorized Economic Operators (AEO) were introduced to facilitate compliant traders through improved trade competitiveness and Border Coordinated Management in East Africa. AEOs include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors.

Below is a summary of key achievements by the RRA in FY 2021/22:

1. Developed and implemented the AEO communication plan. This aims to increase the awareness of the benefits granted by AEO and encourage potential operators to join the program. In this regard, related adverts on different media channels were done and promotional materials were produced.

2. Conducted several field visits. Field visits were conducted at Kanombe Airport, Dubai Port World, Bolloré and Gikondo (MAGERWA) to enhance the awareness AEO programs to and gain an understanding of challenges encountered in the implementation of AEO.
3. Updated the list of accredited firms. 49 new operators applied to join the program and after vetting exercise, 21 operators were successful and recommended for accreditation. More so, 12 existing AEO companies were re-assessed of which 8 were recommended for AEO re-authorization, 3 for AEO revocation. During the process 1 company requested for suspension from AEO program since it was no longer in operation.
4. Held a national AEO working group meeting. RRA committed to continue supporting AEO association and strengthen awareness campaigns on EAO benefits to internal and external stakeholders.

## **5.5 INTEGRATION OF SAGE X3 WITH IFMIS**

This project is to integrate the accounting system used by RRA (SAGE X3), with the International Financial Management and Information System (IFMIS). The project was successfully implemented and all milestones delivered.

1. Scoping sessions
  - a. Transaction type mapping between SAGE X3 and IFMIS was done and all the required information (transaction types) for sharing between the two systems were identified as well as agree on the frequency of information sharing.
  - b. Defined treatment of local government revenues both in SAGE X3 and IFMIS systems and new control accounts were determined as required and configuration document signed.
2. Harmonised chart of accounts
  - a. Charts of accounts were reviewed, all differences were identified in charts of accounts in SAGE X3 and IFMIS, and how they will be harmonized. Deactivated accounts not in use and corrected accounts descriptions.
  - b. Agreed on how RRA GL accounts will be created in IFMIS, developed Application programming interface for Local Government, Prepared User Acceptance Test as well as transfer specifications.
3. Creation of new reports
  - a. Identified all reports produced by RRA systems, which are required in IFMIS, new reports were defined and dashboards needed.
4. Integration development
  - a. Integration of SAGE X3 and IFMIS was fully completed; Obtained endpoint and secret key for System Integration Testing, deployed Application programming

Interface on UAT server, connectivity between RRA and MINECOFIN done and tests on integration interface completed.

## **6 ACHIEVEMENTS TOWARDS STRENGTHENING INTERNAL CAPACITY**

During 2021/22 fiscal year, RRA continued to enhance internal control environment by implementing various activities. Key activities implemented during FY2021/12 include;

### **6.1 STRENGTHEN HUMAN RESOURCES MANAGEMENT**

RRA performed different initiatives intended to strengthen human resource capacity in different areas that are key to increase efficiency in productivity. These include:

#### **6.1.1 TRAINING AND DEVELOPMENT**

During 2021/22 fiscal year, various training and staff development programs were delivered;

##### **Short training programs delivered**

The training programs delivered were 18 out of 23 that were planned; this is a performance achievement of **75%**. The attendance number was 2,945 out of the 2,022 that was initially planned. The number of attendees exceeded the target due to introduction of 69 courses that were initially not planned. RRA continued to offer tailor-made training to each staff and by end 2021/22 fiscal year, 1,190 staff out 1,248 total staff at least attended one course equivalent to 95.3%.

##### **Professional courses**

RRA continued to build skills for its employees by offering trainings suitable to employees' job roles. RRA employees benefit from studying professional courses sponsored by the Government of Rwanda through the Ministry of Finance and Economic Planning as well as study opportunities offered by other partner institutions.

In 2021/22 fiscal year, 392 RRA employees were studying professional courses as follows: 25 RRA staff were learning the Association of Chartered Certified Accountants (ACCA) course, 281 staff studying the Certified Public Accountants (CPA) course, 53 staff learning the Certified Accountant Technicians (CAT) course, 10 studying Certified International Personnel Development (CIPD) online course.

In addition, during 2021/22 fiscal year, 12 RRA staff completed the following professional courses: ACCA: 2, CPA: 10

##### **E-learning**

RRA continues to bridge skills gaps especially key and critical skills necessary for efficient delivery of its mandate. In this regard, E-learning platform was introduced as a learning platform that is adoptive to changes in learning environment.

During 2021/22 fiscal year, the RRA e-learning platform was operational with 49 course categories (customs courses, domestic tax courses and management courses and soft skills.).

E-learning is also available for employees via four free online institutions that offer courses that Award Diplomas/Certificates after Course Completion. In total 1,656 RRA staff undertook online courses using the e-learning platform equivalent to 56.2% of total staff who undertook different courses.

### **6.1.2 OTHER KEY HUMAN RESOURCE MANAGEMENT INITIATIVES**

During the 2021/22 fiscal year, other initiatives were implemented to strengthen human resource functions, key among include;

1. Designed the individual development plans for all operational departments (Customs and DTD) and for some support departments namely; IT& DT, RIED and Finance department.
2. Carried out systematic review of training curriculum for both customs services courses as well as for domestic tax courses. The EAC Customs training curriculum was reviewed and training material related to Harmonised System updated to include 351 sets of EAC accepted amendments. All technical training documents for 27 courses in DTD training curriculum were updated and now available in soft copy and sent to the Library for better management.
3. Carried out career development plan for staff in Revenue Investigation and Enforcement (RIED) aimed at strengthening capacity to conduct pro-active and high- value investigation in various sectors especially areas susceptible to fraud.
4. Established and delivered counselling services to RRA staff; RRA hired a consultant RUHUKA ARCT to offer consultancy services related to counselling to its employees. The consultancy services aim at providing counselling and therapeutic service to RRA employees and their immediate family as well as equipping line managers to effectively, handle counselling issues in their respective business areas.

Key achievements recorded during 2021/22 fiscal year include the following:

1. Provided psychoeducation to 76 teenage children of RRA staff, who attended the education sessions.

2. Conducted a workshop with adolescents on life skills and child rights and 55 adolescents of parents working with RRA benefited from this training.
3. Organized counseling outreach campaigns to RRA employees of which 204 staff participated.
4. Provided counselling services to various categories of RRA employees, in total 118 staff received counseling services.
5. Conducted 7 sessions on family therapy/ Couple counseling.
6. Developed and shared 8 counselling materials to RRA staff 'whatsapp' newsletter to increase awareness of counseling services to RRA staff.

Staff integrity within the RRA is of the utmost importance. In the fiscal year 2021-22, 10 disciplinary cases were undertaken and completed, involving 22 RRA employees. 9 of these were found to be without guilt, 2 were given warning letters, and 11 were dismissed.

The 22 staff members' cases involved the following malpractices:

1. Deliberate violation of the tax audit process and procedures
2. Making fictitious payment on statements of offences
3. Receiving illegal gifts from taxpayers
4. Unauthorised use of RRA vehicle
5. Involvement in fraud activities
6. Unauthorised issuance of tax clearance certificate
7. Unauthorised issuance of entry card
8. Involvement in undervaluation malpractices.

## **6.2 STRENGTHEN INTERNAL CONTROL SYSTEMS**

During the 2021/22 fiscal year, 14 internal audit assignments were completed out of 17 that were planned (82.4% achievement). Three planned internal audit cases were deferred to 2022/23 fiscal year. The deferred audit assignments relate to; revenue accountability statement, enforcement procedures and debt management, human resources management, payroll and HR policies.

Maintaining high level integrity amongst our staff is a key foundation for RRA operations, as such during 2021/22 fiscal year, 17 integrity investigations were completed compared 19 investigation cases handled during 2021/22 fiscal year.

RRA continued to implement an international standard for their quality management system (QMS). RRA implemented ISO 9001: 2015 standard on quality management systems since its inception in 2009, QMS audits are periodically conducted to ensure compliance with the standard. During 2021/22 fiscal year, 7 QMS audits were completed against a target of 8 cases.

Monitoring of implementation of audit recommendations was ensured by conducting monthly management review meeting and by end June 2022, implementation progress portrayed the following results;

1. Out of 160 internal audit recommendations that were issued in the last five fiscal years and were still open in 2021/22 fiscal year: 70 were fully implemented (44%); 43 partially implemented (27%); while 47 recommendations had not been implemented by the end of 2021/22 (29%). 84 (53%) internal audit recommendations that are at least 12 months old remained open as at 30<sup>th</sup> June 2022.
2. Implementation of Auditor General's recommendations was also reviewed on a regular basis. By end June 2022, out of **95 Auditor General's recommendations** that were still open at the beginning of 2021/22 fiscal year: 49(**52%**) were fully implemented; 13 (**14%**) were partially implemented; and 33 (**35%**) not implemented by the end of the fiscal year. In total, open Auditor General's recommendations that are at least 12 months old were 40 as at 30<sup>th</sup> June 2021, representing 42%.
3. For QMS audit recommendation, 39 (55%) audit recommendations out of 71 audit recommendations were fully implemented by end June 2022, 12 recommendations equivalent to 17% were partially implemented, 20 (28%) recommendations not implemented while 32 recommendations representing 45% were still open by end June 2022.

### **6.3 RRA RISK MANAGEMENT APPROACHES DURING FY 2021/22**

During 2021/22 fiscal year, RRA undertook proactive actions to identify and management risks that may affect its operations, the following key achievements were recorded towards risk management and integration of risk mitigations in RRA operations:

1. The evaluation of risk mitigation; risk registers are maintained at departmental and corporate level. Risk mitigation strategies are therefore then in daily operations and monitored and

evaluated quarterly by risk management committees. These committees produce quarterly reports alongside their meetings.

- a. As end June 2022 there were 169 risks in all risk registers, 137 open and 32 closed risks.
  - b. The final evaluation done by respective risk management committee meetings showed that implementation level of overall risk mitigation strategies was 82.5% as of end June 2022 against a target of 75%.
2. The tax compliance improvement plan 2021/22 focused on five main aspects i.e., general and sector specific compliance interventions, construction sector compliance interventions, Information and Communication sector compliance interventions, importers compliance interventions and clearing agents' compliance interventions.
- a. The general compliance interventions were implemented at; 85% for general sector, 100% for construction sector, 97.5% for Information and Communication sector, 97.5% for importers and 80% for clearing agents.
  - b. The overall implementation status by the end fiscal year 2021/22 was 92.5% against a target of 85%.
  - c. Developed and deployed a centralized risks rules dashboard for piloting EBM division compliance operations. The automated risk rules help to identify risky areas for further analysis, these risk rules are accessible via the web link.
3. Reviewed and automated VAT refund process to allow low risk taxpayers to receive their VAT refunds automatically subject to post refund payment checking.

## 7 RRA'S EXPENDITURE FOR 2021/22 FISCAL YEAR

RRA approved budget for the 2021/22 fiscal year was Rwf 54.3 billion. RRA's expenditure was Rwf 57.9 billion, representing 106.3% utilisation. The overspending was due to approved extra spending of Rwf 5.5 billion on compensation of employees and Rwf 1.5 billion on other spending expenses, due to extra Bonus payments and other tax refund budget lines.

**Table 19: Total RRA budget and expenditure in Rwf**

<i>Expenses</i>	<i>Revised budget FY 2021/22</i>	<i>Actual 2021/22</i>	<i>FY Variance</i>	<i>Performance (%)</i>
<i>Compensation of Employees</i>	19,856,039,188	25,217,657,853	(5,361,618,665)	127.0%
<i>Use of Goods and Services</i>	21,027,768,212	19,324,496,273	1,703,271,939	91.9%
<i>Social Assistance</i>	606,862,401	558,507,159	48,355,242	92.0%
<i>Other Expenses</i>	4,998,481,115	5,431,820,947	(433,339,832)	108.7%
<i>Total Operating Expenses</i>	46,489,150,916	50,532,482,232	-4,043,331,316	108.7%
<i>Capital Expenditure</i>	7,806,032,334	7,364,939,014	441,093,320	94.3%
<i>Total Expenses</i>	54,295,183,250	57,897,421,246	3,602,237,996	106.3%

## **8 KEY CHALLENGES FACED BY RRA DURING 2021/22 FISCAL YEAR**

Despite achieving the revenue target, RRA still faces various challenges that deter our efforts from fulfilling the mandate; The main ones are highlighted below:

1. Policy related challenges. Inaccurate interpretation of some tax laws caused revenue loss and unfavourable judicial outcomes on tax corruption cases.
2. Low tax compliance culture. Some taxpayers still have poor compliance despite of RRA compliance initiatives to all sectors with low compliance levels. This is because some taxpayers do not declare and pay their tax; declare but do not pay on time, or intentionally lower their taxable income to evade tax. In addition, some taxpayers are still reluctant to use the Electronic Billing Machines yet it is one of the most effective tools to collect accurate tax information in real time.
3. Administrative inefficiency. RRA believes that it is not operating at its full potential and the restructuring process “NOM” is intended to address this issue. In fact, the delay to fully implement NOM has not only affected the RRA plans but also created uncertainty with in the institution. As result, this led to high staff turnover; fiscal year 2021/22 recorded the highest staff turnover of 2.3% compared to 0.96% for FY 2020/21 and 1.4% for FY 2019/20.
4. Domestic tax arrears remain high. Despite efforts employed to recover tax arrears such as automation of enforcement processes, tax arrears are still high and keep on increasing year on year. Tax arrears escalated by 41.7% in FY 2020/21, fiscal year 2019/20 had recorded 36.8% and FY 2021/22 recorded an increase of 8.2%.

## 9 Conclusions and the Future Outlook

**This report aims to capture the performance, achievements, and challenges faced by the RRA in the fiscal year 2021-22.** This fiscal year featured multiple external shocks to the Rwandan economy, continuing to provide uncertainty in the macroeconomic environment. We are proud to say that, even in this difficult environment, the RRA was able to both meet its annual revenue targets and make progress on its medium- and long-term plans.

**The future for the RRA is to continue making good progress, working to address the challenges identified above.** The Medium Term Revenue Strategy sets the timelines for some major advancements in Rwanda's tax administration between 2021 and 2024 to fund Rwanda's NST-1 development plans. An annual compliance improvement plan has been designed for the fiscal year 2022-23 to identify and address current compliance issues. These plans continue to advance the use of technology and automation within the RRA, to lower compliance costs for taxpayers, and to improve tax education and sensitisation throughout the Rwandan population.

**Alongside streamlining the tax administration to increase revenues, the forecasted bright macroeconomic environment will also boost future revenues.** Higher tax revenues in Rwanda allow it to independently support its own growth and development, and to increase its ambition without reliance on foreign aid as it matures into a middle- and high-income country.

**The RRA remains fully committed to its vision to become a world-class, efficient and modern revenue agency, fully financing national needs.**