

**REPUBLIC OF RWANDA**  
**RWANDA REVENUE AUTHORITY**  
**P.O. BOX 3987 KIGALI**



TAXES FOR GROWTH AND DEVELOPMENT

**ANNUAL ACTIVITY REPORT**  
**2020-2021**

**OCTOBER 2021**

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## LIST OF ABBREVIATIONS

AEO	Authorised 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 Organisation
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
SMT0	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, it gives me immense pleasure to present the RRA's annual activity report for fiscal year 2020/21, which is an important output for disseminating the institution's performance to external and internal customers.

Despite the hardships brought by the COVID-19 pandemic, particularly on the business community, taxpayers have demonstrated a great deal of patriotism, resilience and compliance to policy and RRA administrative measures put in place during the 2020/21 fiscal year. These, combined with government measures of mitigating economic and social consequences of the COVID-19, resulted into the achievement of tax revenue target of the fiscal year 2020/2021. The Authority collected tax revenue of Frw 1,635.8 billion (excluding local government tax) which was Frw 56.1 billion or 2.5% above the target of Frw 1,579.7 billion. This outturn represented 15.9% of GDP; similar in comparison to the tax to GDP ratio of 15.9% attained in 2019/20 fiscal year.

On behalf of the Board of Directors, I thank the Government for the support extended to the RRA, including guidance and direction provided during the year under review and beyond. I would also like to thank the RRA management, staff and stakeholders for their efforts over the 2020/21 fiscal year and emphasise to them, our gratitude and our conviction that RRA can continue to maintain this positive momentum going forward.

A stylized handwritten signature in blue ink, consisting of several overlapping loops and lines.

**MURANGWA Yusuf**  
**Chairperson of RRA Board of Directors**

## FOREWORD BY THE COMMISSIONER GENERAL



It gives me great pleasure to present the 2020/21 Rwanda Revenue Authority Annual Activity Report. This document presents key achievements of RRA in diverse areas during the fiscal year, such as; the revenue performance, service delivery and enhancing internal systems.

The total revenue collection (both tax and non-tax, excluding local government collections) amounted to Frw 1,654.5 billion against the target of Frw 1,594.3 billion which is an achievement of 103.8% and a year-on-year growth of 9.1%. Local Government collections totalled Frw 77.8 billion, an achievement of 94.3% of the Frw 82.5 billion target and a shortfall of Frw 4.7 billion. However, the Local Government collections registered a year-on-year growth of 25.6% and a nominal increase of Frw 15.9 billion.

Several factors contributed to this performance. These included; the recovery from the COVID-19 pandemic outbreak, macroeconomic conditions as well as growths in turnover and import volumes that were better than expected. In addition, various administrative measures were implemented to enhance revenue collection while safeguarding the health of our customers and staff from the COVID-19 pandemic. These include data matching to identify potential taxpayers to be registered, enhancement and monitoring of electronic invoicing system, more usage of data analytics with minimal physical presence and intensifying tax education and information programs across the country.

This achievement could also not be possible without the continued compliance of our taxpayers. I sincerely thank those who continue to fulfil their tax obligations.

Finally, I would like to express my heartfelt gratitude and appreciation to the Government of Rwanda, the RRA Board of Directors, Members of Executive Organ, Senior Management Team and all RRA staff members for a successful year. Together we look forward to achieving more in FY 2022/23.

A stylized handwritten signature in blue ink, consisting of a large 'B' followed by a series of loops and a final flourish.

**BIZIMANA RUGANINTWALI Pascal**  
**Commissioner General**

## **EXECUTIVE SUMMARY**

Tax revenue performance of 2020/21 fiscal year was mainly driven by the favourable economic conditions. The economy was projected to grow by 0.5% during FY 2020/21 but the data reported by the National Institute of Statistics of Rwanda shows a growth of 4.4%.

Inflation was forecast at 5.3% in 2020/21 fiscal year. The recorded rate was close, averaging 4.2% mainly driven by both the growth in price indices for “food crops” which increased by 10.3% and the increase in price indices for livestock products which increased by 10.6%. Good performance in the wholesale and retail trade, manufacturing, financial services, information and communication and construction sectors drove the recorded VAT turnover growth of 16.0% in 2020/21, from 3.3% in 2019/20.

The total revenue collection (both tax and non-tax, excluding local government collections) was Frw 1,635.8 billion while the target was Frw 1,579.7 billion; this is an achievement of 103.5%, and Frw 56.1 billion above the target.

Local Government taxes and fees collections totalled Frw 77.8 billion, an achievement of 94.3% of the Frw 82.5 billion target and a shortfall of Frw 4.7 billion. This represents year-on-year growth of 25.6% and a nominal increase of Frw 15.9 billion.

With regard to administrative measures, the total number of taxpayers increased to 292,156; a year-on-year growth of 27.3% with newly registered taxpayers contributing Frw 23.4 billion. Tax audit cases concluded by Domestic Tax Department (DTD) were 21,365 including desk audits, raising additional assessment (principal only) of Frw 92.9 billion before appeals. The Customs Services Department (CSD) completed 279 post-clearance audit cases with additional assessment of Frw 0.3 billion. One hundred ninety (190) tax investigation cases were finalised, with an additional tax assessment of Frw 2.5 billion. Total recovery of tax arrears amounted to Frw 67.6 billion (Frw 48.6 billion from DTD and Frw 19.0 billion from CSD).

Great effort was made in improving service delivery and enhancing tax compliance. These include, intensifying tax education and information programs across the country, enhancement of online services, rollout and monitoring of the use of electronic invoicing system, usage of data analysis to detect non-compliance cases and monitoring of non-filers and non-payers.



Based on revised calculation of cost collection, the RRA registered a cost of collection of 2.6% compared with 2.8% registered in previous fiscal year.

RRA had some challenges that hindered its performance. The main ones include high tax arrears especially those owed by public institutions and low tax compliance culture by some taxpayers.

Within the context of registered achievements to date, the next move for RRA will be to focus on areas where it can realise quick gains in terms of service delivery, trade facilitation and revenue collection while enhancing other internal systems.

## I. OVERALL REVENUE PERFORMANCE FOR 2020/21 FISCAL YEAR

### *I.1. REVENUE PERFORMANCE FOR 2020/21 FY*

The **total revenue collection** (both tax and non-tax, excluding local government collections) for 2020/21 fiscal year amounted to **Frw 1,654.5 billion** against the target of **Frw 1,594.3 billion** which is an achievement of **103.8%**, and an excess of **Frw 60.1 billion** above the target.

**Tax revenue** collection for 2020/21 fiscal year was **Frw 1,635.8 billion** while the target was **Frw 1,579.7 billion**; this is an achievement of **103.5%**, and **Frw 56.1 billion** above the target. Compared to **Frw 1,494.8 billion** collected in 2019/20 fiscal year, additional revenue of **Frw 140.9 billion** was collected (or a growth of **9.4%**).

**Non-tax revenue** collected by RRA amounted to **Frw 18.7 billion** compared to the target of **Frw 14.6 billion**, performing at **128.0%**. Compared to the last fiscal year, the non-tax revenue collected was **Frw 2.7 billion** lower, representing 12.7% decrease.

**Local Government (LG) taxes and fees** collections for 2020/21 fiscal year was **Frw 77.8 billion** representing **94.3%** of the **Frw 82.5 billion** projected. This represents year-on-year increase of **25.6%**. The two main reasons for the shortfall are the revision of land tax rates downward and difficulties experienced by some districts which prevented them to sell own properties/assets as it was planned. Details are shown in **Table 1**:

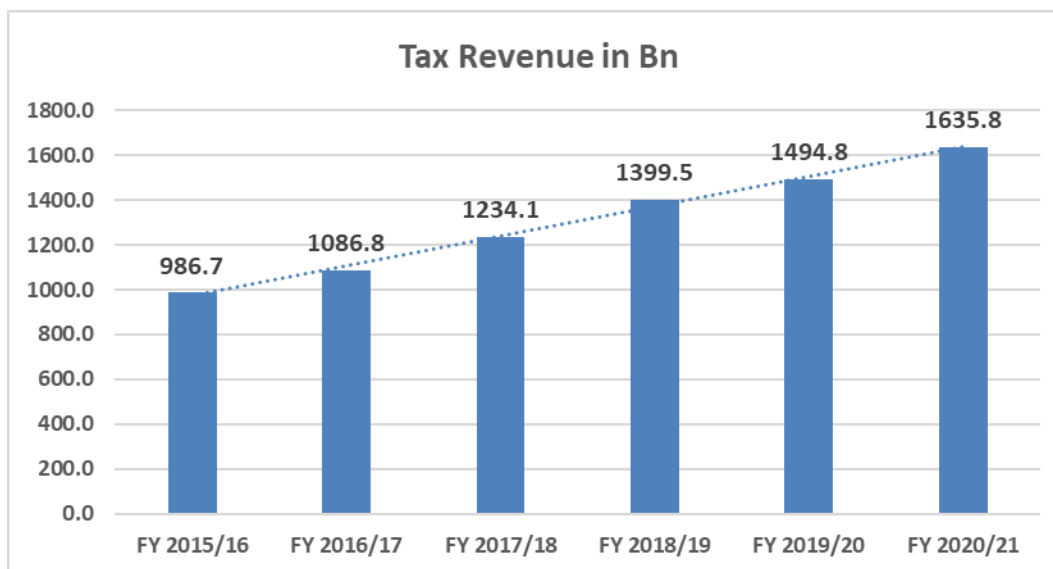
*Table 1: RRA revenue performance against targets for 2020/21 (billion Frw)*

Categories of revenue	Target 2020/21	Actual 2020/21	Variance	Performance rate	Actual 2019/20	% Change 2020/21	Nominal increase
<b>Total revenue</b>	<b>1,594.3</b>	<b>1,654.5</b>	<b>60.1</b>	<b>103.8%</b>	<b>1,516.3</b>	<b>9.1%</b>	<b>138.2</b>
Non-tax revenue	14.6	18.7	4.1	128.0%	21.4	-12.7%	-2.7
<b>Total tax revenue</b>	<b>1,579.7</b>	<b>1,635.8</b>	<b>56.1</b>	<b>103.5%</b>	<b>1,494.8</b>	<b>9.4%</b>	<b>140.9</b>
* Direct taxes	678.4	718.1	39.7	105.9%	656.3	9.4%	61.8
* Taxes on G & S	776.1	792.4	16.4	102.1%	720.1	10.1%	72.4
* Taxes on Int'l Trade	125.2	125.2	0.0	100.0%	118.4	5.7%	6.8
<b>LGT</b>	<b>82.5</b>	<b>77.8</b>	<b>-4.7</b>	<b>94.3%</b>	<b>62.0</b>	<b>25.6%</b>	<b>15.9</b>

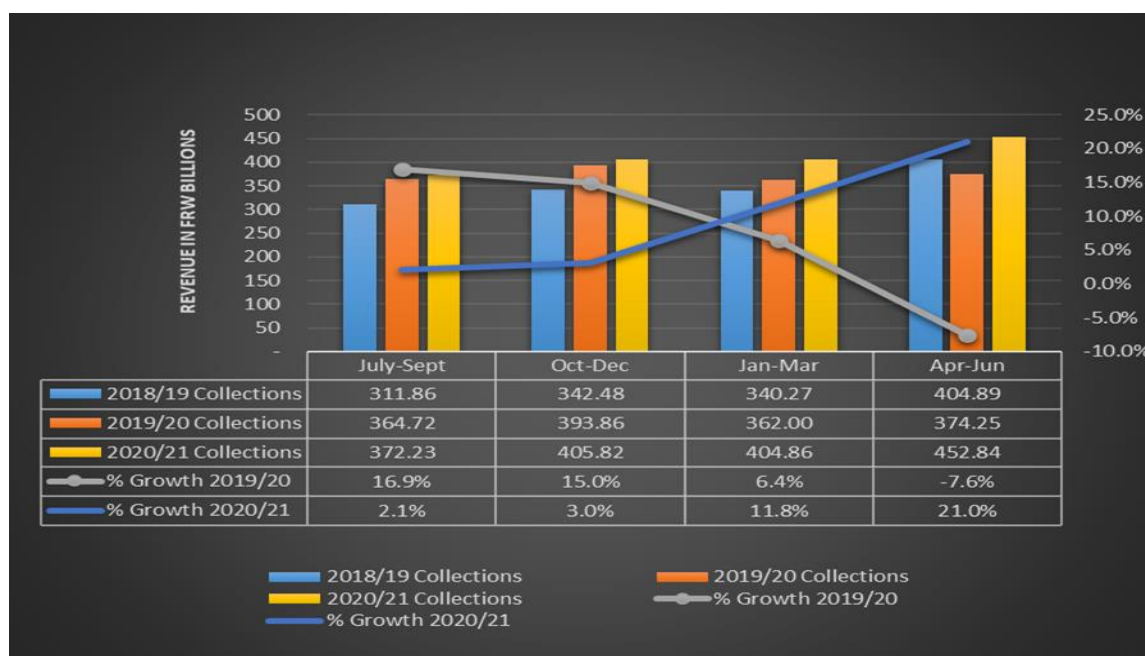
*Source: RRA, 2021*

In terms of the trend analysis for the period of July to June for the last five fiscal years, net revenue collections have consistently grown. This is shown in **Figure 1** below. When the second semester started the target was revised (S2 revised downward), and January to June 2021 met its target, registering a growth of 16.5% compared to the same period last fiscal year, as shown in **Figure 2**.

*Figure 1: Trend analysis of net revenue collection from 2015/16 to 2020/21*



*Figure 2: Growth rates by quarter 2020/21 vs 2019/20*



**Figure 2** above shows that the growth rates of Q1 and Q2 of FY 2020/21 remained stable compared to the same period of the previous year (periods before COVID-19). However, Q3 and Q4 recorded higher growth rates compared to the same period of 2019/20 FY which was affected by the pandemic (Jan -March 2020 and April-June 2020, where the businesses suffered from total lock down). The higher growth in Q3 and Q4 of FY 2020/21 are reflective of the ongoing economic recovery.

## ***1.2. MAIN FACTORS THAT AFFECTED REVENUE PERFORMANCE***

Revenue performance for 2020/21 fiscal year was affected by various factors; some were economic factors other were administrative measures.

### ***1.2.1 Major Economic environment for 2020/21 fiscal year***

Tax revenue collections are highly dependent upon the behaviour of economic tax base especially the real economic growth. In addition, tax revenue collections dependent highly on the rate of inflation. Performance change of any of these two indicators results in a change in performance of tax revenue collections. For instance, lower real GDP growth rate than forecasted results in lower tax revenue collections, while higher real GDP growth rates results in higher tax revenue collections. For the period analysed:

- i) **GDP real growth:*** The economy was projected to grow by **0.5%** during 2020/21 fiscal year and the data reported by the National Institute of Statistics of Rwanda shows a year-on-year growth of 4.4%.
- ii) **Inflation:*** Inflation was forecast at **5.3%** in 2020/21 fiscal year. The recorded rate was close, averaging **4.2%** over 2020/21 mainly driven by both the growth of price indices for “food crops” which increased by 10.3% and the increase in price indices for livestock products which increased by 10.6%.
- iii) **Good performance in the following sectors:*** wholesale and retail trade, manufacturing, financial services; information and communication and construction, which has driven the recorded VAT turnover growth of 16.0% in July-June 2020/21, from 3.3% in July-June 2019/20.

- iv)* Increased government spending including on investment projects for economic recovery following the easing of restrictions on movements to stop the spread of the corona virus pandemic, which in turn increased WHT paid by public sector.

### **I.2.2 Administrative measures that supported the performance**

Administrative measures were implemented to facilitate taxpayers, increase tax compliance and increase revenue collections. Some of them include the following:

- i)* Use of technologies for revenue optimization. These were like but not limited to: the, enhancement of online services, enhancement, rollout and enforcement of the use of electronic invoicing system, etc.
- ii)* Extension of the deadlines for filing and payment of taxes to facilitate taxpayers and acceleration of VAT refund as a way of boosting businesses cash flow.
- iii)* Use of Data Science to improve tax compliance: RRA used data science in detection of fictitious invoices, stock analysis, monitoring VAT input claim, monitoring of invoices reported after declaration, monitoring of non-reporting EBMs, etc.

## **II. TAX REVENUE PERFORMANCE BY TAX HEADS**

Analysis of tax revenue performance for 2020/21 fiscal year by tax head is shown in **Table 2**.

*Table 2: Tax revenue performance by tax heads (value in billion of Frw)*

Tax heads	Target 2020/21	Actual 2020/21	Variance	Performance rate	Actual 2019/20	Growth in 2020/21	Nominal increase
PAYE	355.6	365.8	10.1	102.9%	353.7	3.4%	12.1
PROFIT TAX (CIT, PIT & WHT)	318.8	348.3	29.5	109.3%	298.9	16.5%	49.4
VAT	523.3	531.4	8.1	101.6%	491.5	8.1%	39.9
Imports	158.7	163.8	5.1	103.2%	149.6	9.5%	14.2
Local	364.6	367.6	3.0	100.8%	341.9	7.5%	25.7
EXCISE	187.1	194.4	7.3	103.9%	167.0	16.4%	27.4
Imports	85.9	88.7	2.8	103.3%	74.6	18.9%	14.1
Local	101.2	105.7	4.5	104.5%	92.4	14.4%	13.3
MINING ROYALTIES	3.6	4.1	0.5	112.7%	2.8	44.7%	1.3
CUSTOMS DUTIES	104.0	103.3	-0.7	99.3%	98.0	5.4%	5.3
ROAD FUND	50.0	50.9	0.9	101.8%	48.4	5.3%	2.6
STRATEGIC RESERVES LEVY	12.0	11.5	-0.5	96.0%	10.3	11.8%	1.2
INFRASTRUCTURE DEV. LEVY	14.1	14.4	0.3	102.3%	13.5	7.2%	1.0
OTHER TAXES	11.1	11.5	0.4	103.7%	10.7	7.5%	0.80
<b>TOTAL TAX (Excl. TCC)</b>	<b>1,579.7</b>	<b>1,635.8</b>	<b>56.1</b>	<b>103.5%</b>	<b>1,494.8</b>	<b>9.4%</b>	<b>140.9</b>

Source: RRA, 2021

### III. TAX REVENUE PERFORMANCE BY TAX HEADS

**Table 2** above indicates that almost all tax heads surpassed their targets and registered a positive year-on-year growth except import duty and strategic reserve levy which did not achieve their targets. Revenue performance for each of the broad categories of taxes and for each of tax heads is explained in more details in the subsequent sections.

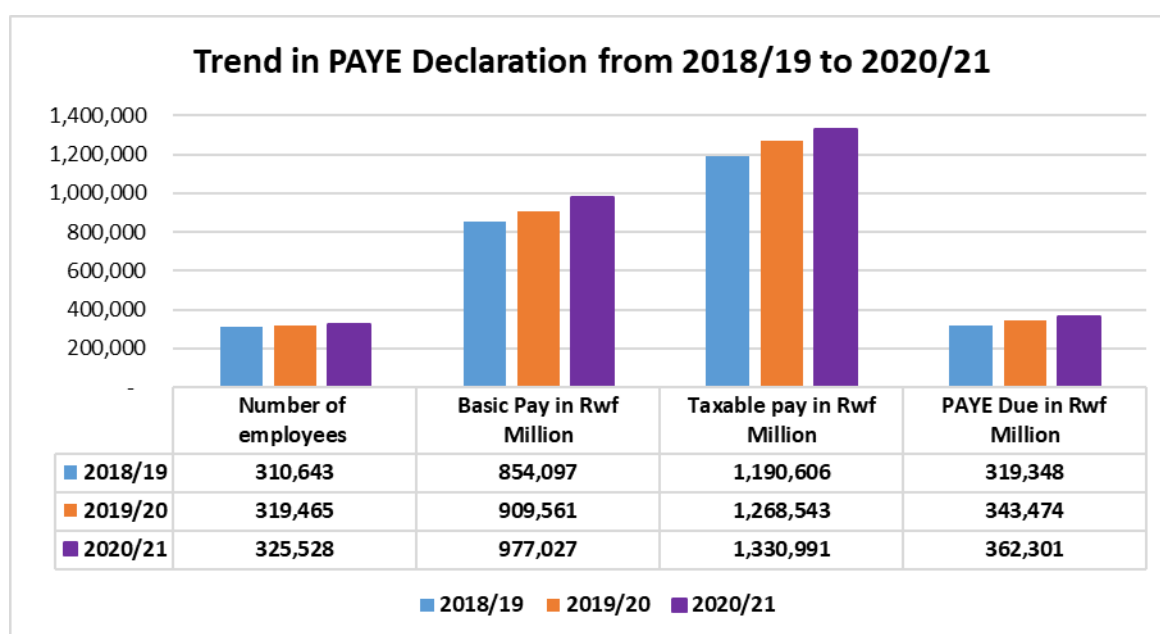
#### II.2.1 DIRECT TAXES

In general, direct taxes performed at **105.9%** in 2020/21 fiscal year and realised a growth of **9.4%** when compared to the 2019/20 fiscal year. Further breakdown shows that:

### II.2.1.1 Pay As You Earn (PAYE)

**PAYE** for 2020/21 fiscal year amounted to **Frw 365.8 billion** against a target of **Frw 355.7 billion**, an excess of **Frw 10.1 billion** on the target and achievement of **102.9%**. Compared with 2019/20 fiscal year, **PAYE** collections increased by **3.4%**, which is below the **10.2%** (recorded last fiscal year) and **11.1%** average growth for the last previous three years. However, in terms of the trend analysis of the **PAYE** base for the last three fiscal years, the number of employees increased at lower growth (1.9%) in 2020/21 fiscal year compared to the number of employees declared in 2019/20, whereas basic pay, taxable pay and **PAYE** due have increased and reasons are explained below. This is shown in **Figure 3** below.

*Figure 3: PAYE declaration status from 2018/19 to 2020/21*



The excess on **PAYE** revenue target for 2020/21 fiscal year can be explained by the growth in **PAYE** tax base.

### II.2.1.2 Profit taxes (CIT, PIT and WHT)

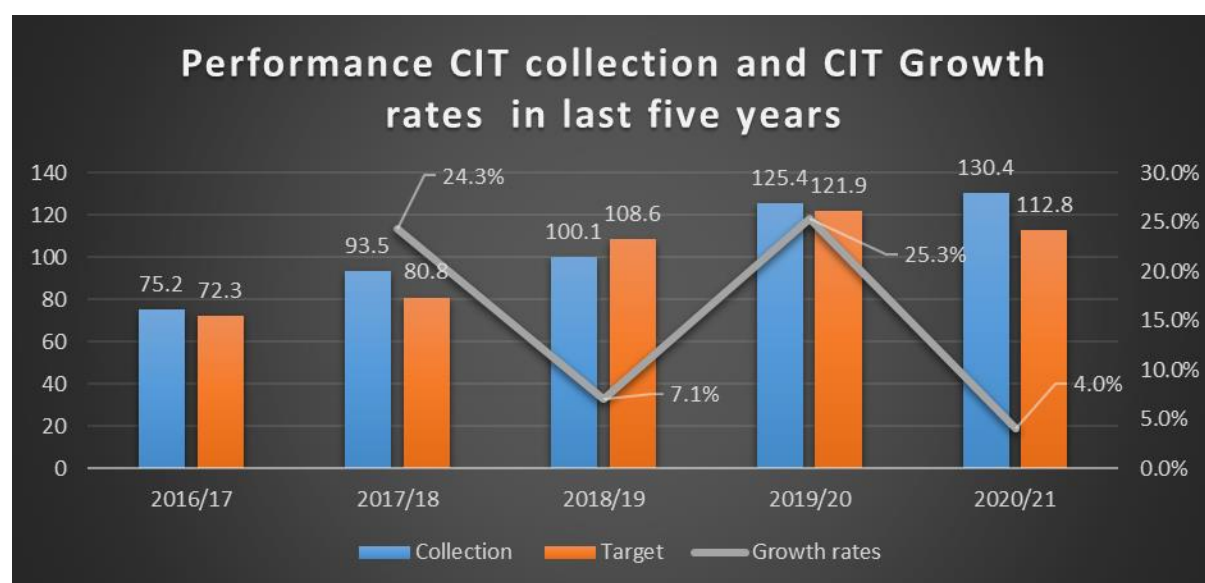
**The overall profit tax (CIT, PIT & WHT)** for 2020/21 fiscal year amounted to **Frw 348.3 billion** against a target of **Frw 318.8 billion**, a surplus of **Frw 29.5 billion** on the target and achievement of 109.3%. Compared with 2019/20 fiscal year, overall profit tax collections grew by **16.5%**, a nominal increase of **Frw 49.4 billion**.

### i) Corporate Income Tax (CIT) and Personal Income Tax (PIT)

In 2020/21 fiscal year, corporate income tax (CIT) and personal income tax (PIT) totalled to **Frw 130.4 billion** compared to a target of **Frw 112.8 billion** that is a performance of **115.6%**, surpassed the target by **Frw 17.6 billion**. When compared with collection of the last fiscal year, CIT-PIT collections grew by **4.1%**, which is higher than the projected growth of -10.0% and lower than last year growth of 25%. This was due to the effects of COVID-19 pandemic that has affected the year 2020 (which is the tax base period for the CIT collected in 2021).

**Figure 4** below shows the performance of CIT collection and CIT growth rates in the last five fiscal years where the growth of 2020/21 fiscal year was lower in 2020/21 at 4.0% compared to the growth of 25% in 2019/20. This was due to the effects of COVID-19 pandemic on the performance of businesses in general and on tax collection in particular.

*Figure 4: Performance of CIT collection over the last five fiscal years*

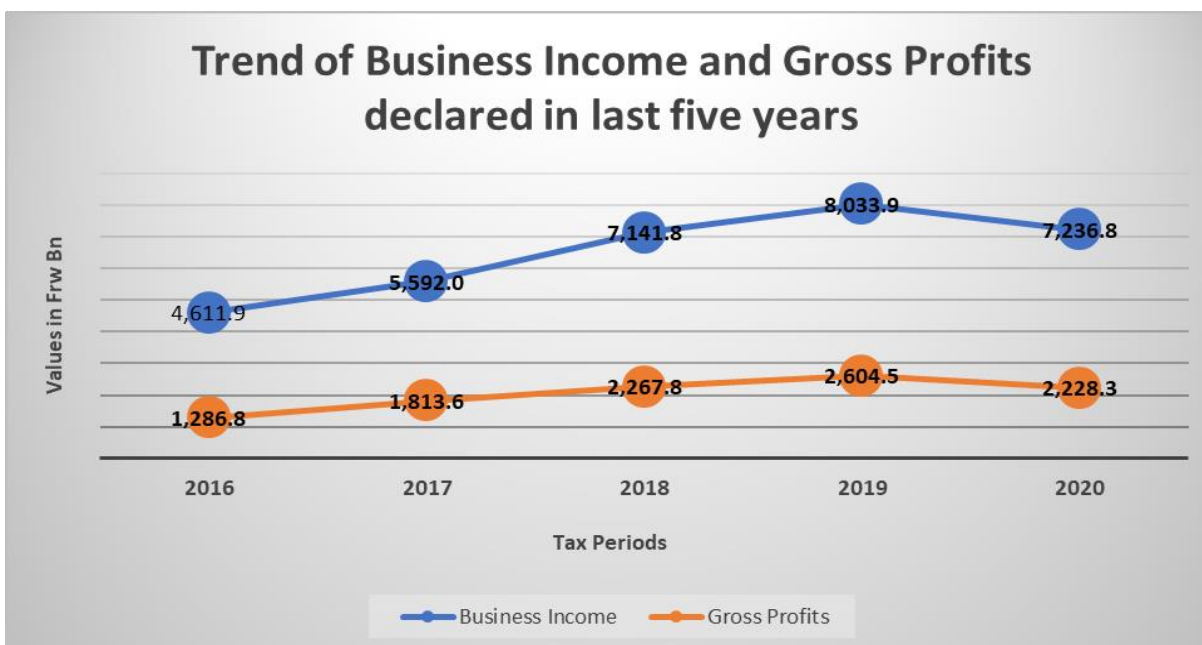


The analysis of CIT declaration data showed that business income and gross profits declared in March 2021 (Tax period of 2020) recorded a decreasing trend. Business income decreased by 10% (from Frw 8,033.9 billion in 2019 tax period to Frw 7,236.8 billion in 2020 tax period), while the gross profits decreased by 14% (from Frw 2,604.5 billion in 2019 tax period to Frw 2,228.3 billion in 2020 tax period). This again points to the effects of COVID-19 Pandemic on businesses.

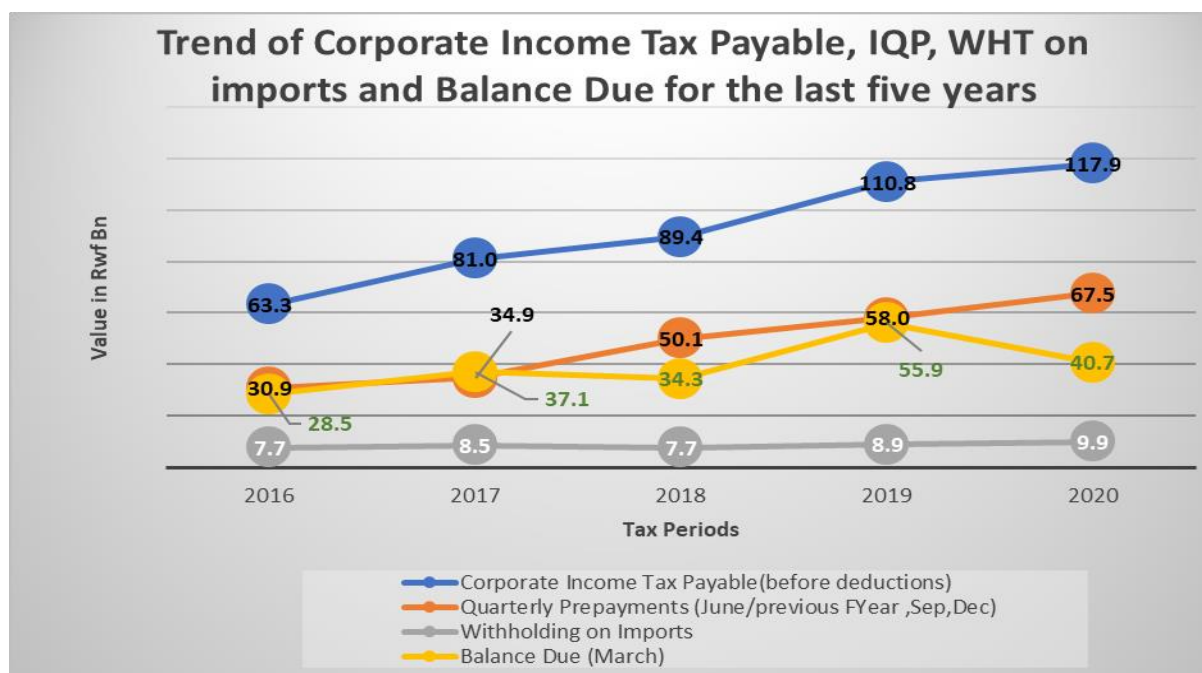


**Figure 5** and **Figure 6** display the trend of business income and gross profits declared and trend of CIT & IQP declarations for the last five years.

*Figure 5. Trend of business income and gross profits declared for the last five years*

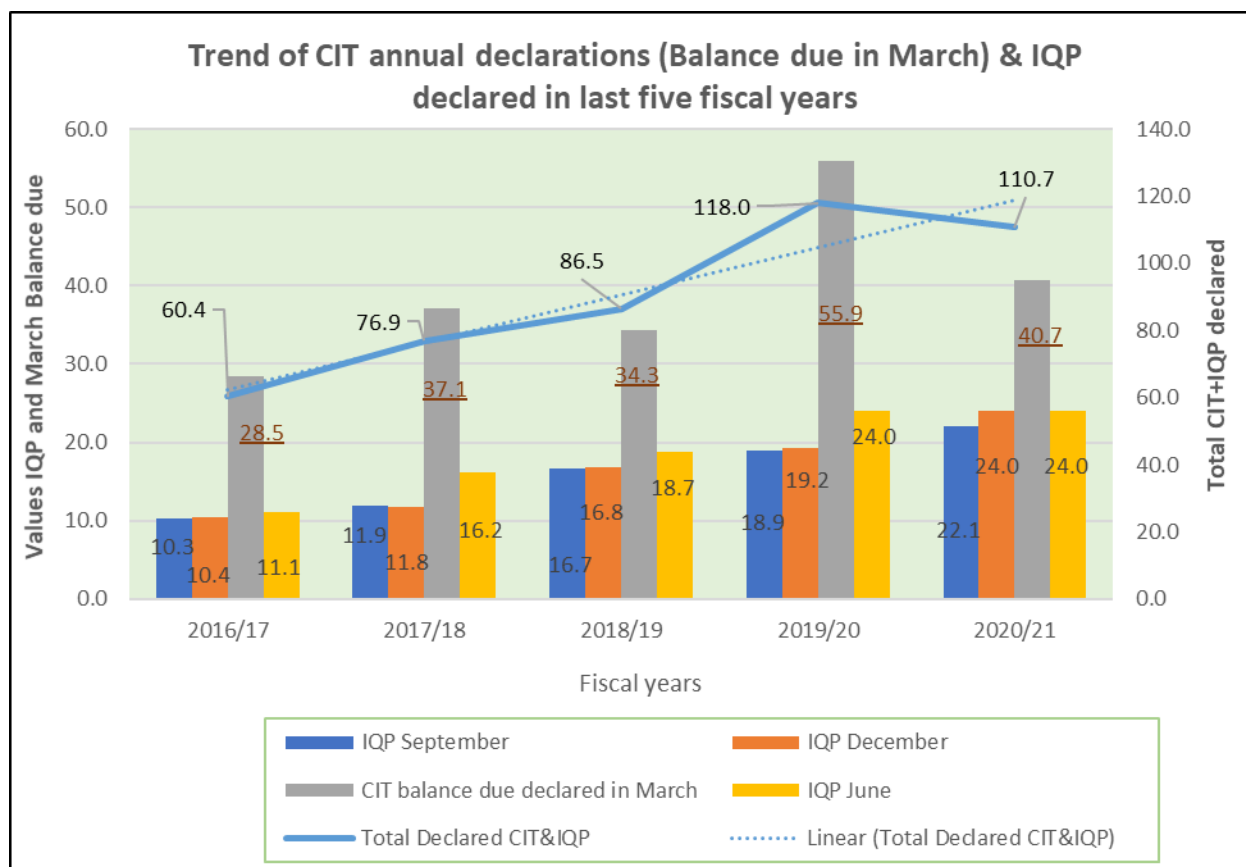


*Figure 6: Trend of CIT & IQP declarations in last five years*



Analysis of CIT and IQPs that were declared over the last five years (IQP September, IQP December and IQP June), indicates that 2020/21 fiscal year declarations decreased by 6.2% (from Frw 118.0 billion in 2019/20 fiscal year to Frw 110.7 billion in 2020/21) as displayed in **Figure 7** bellow. This shows again the effect of COVID-19 pandemic in business and CIT collections.

*Figure 7: Trend of CIT annual declarations*



Reviewing CIT payments made by sectors shows the top 6 contributing sectors being: financial and insurance activities; information and communication; wholesale and retail trade; repair of motor vehicles and motorcycles; manufacturing, transportation and storage and construction, contributing respectively 38.1%, 14.5%, 14.1%, 13.8%, 6.4% and 3.5% to the total CIT paid in 2020/21 fiscal year. These top six sectors totalled 90% of the total CIT paid in 2020/21 fiscal year. **Figure 8** and **Figure 9** show top contributing sectors to the CIT paid in 2020/21 fiscal year and CIT paid by sector in the 2020/21 fiscal year Vs 2019/20 fiscal year.

Figure 8: Top contributing sectors to the CIT paid in 2020/21

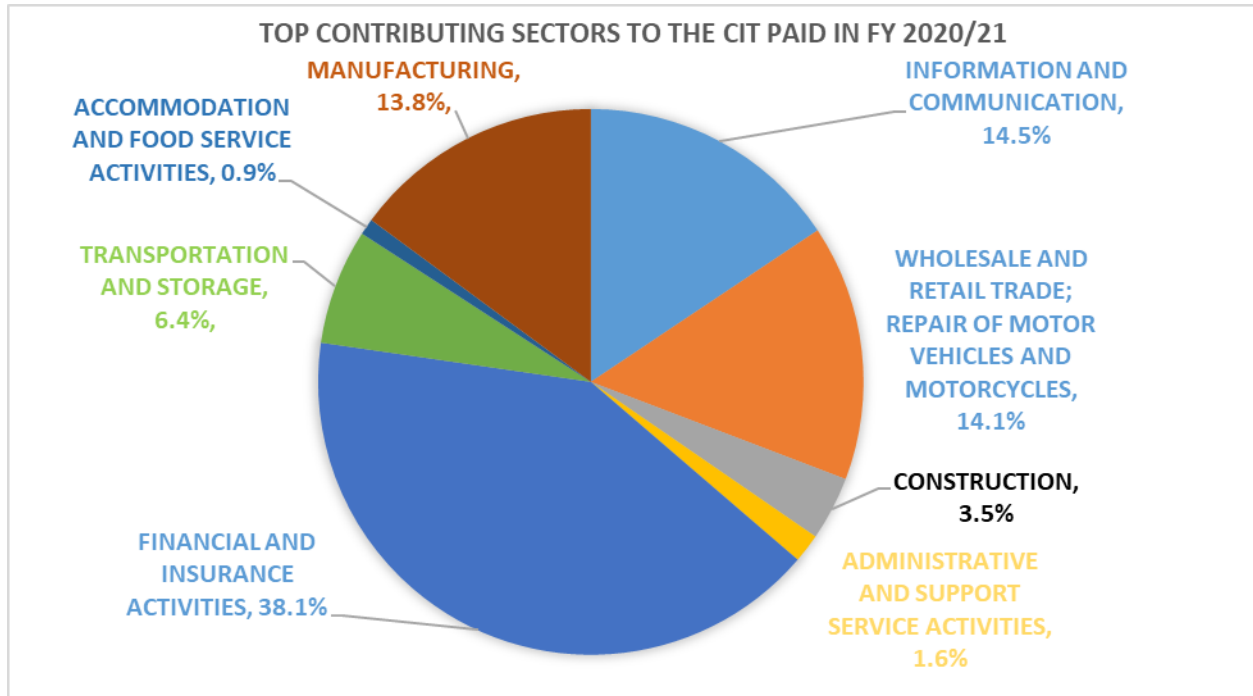
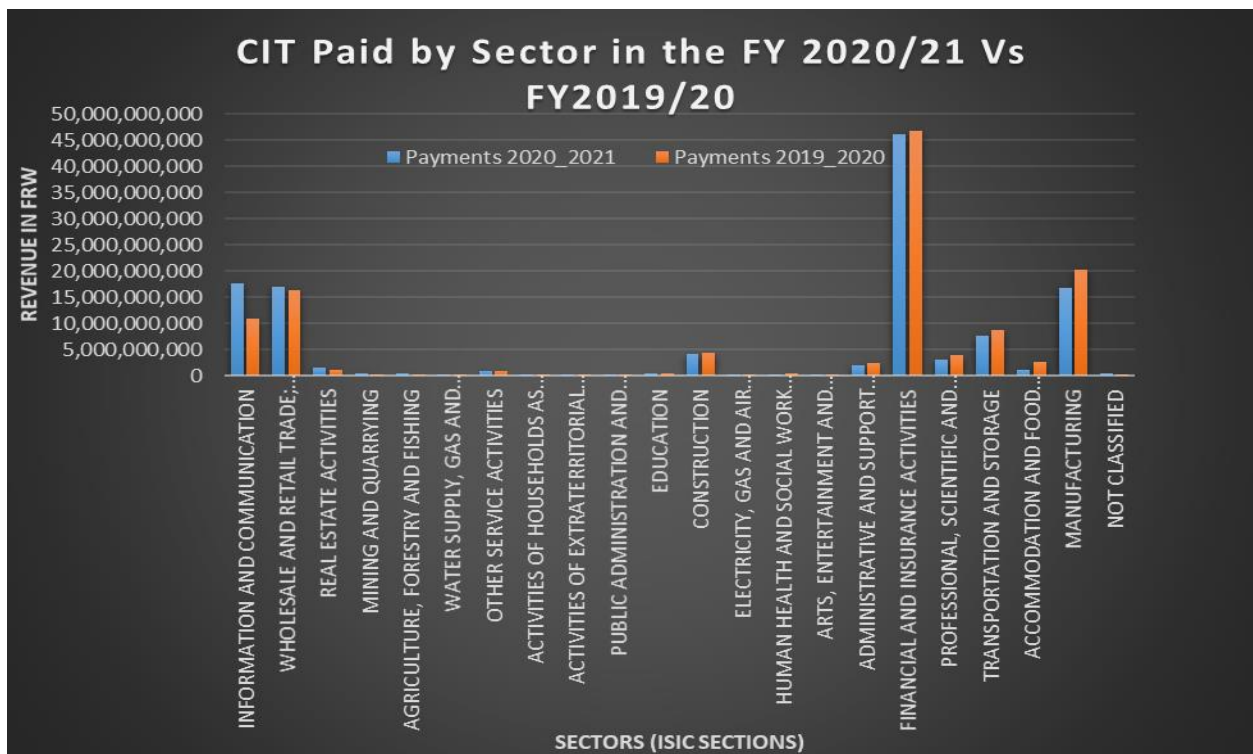


Figure 9: CIT Paid by Sector in the FY 2020/21 Vs FY2019/20



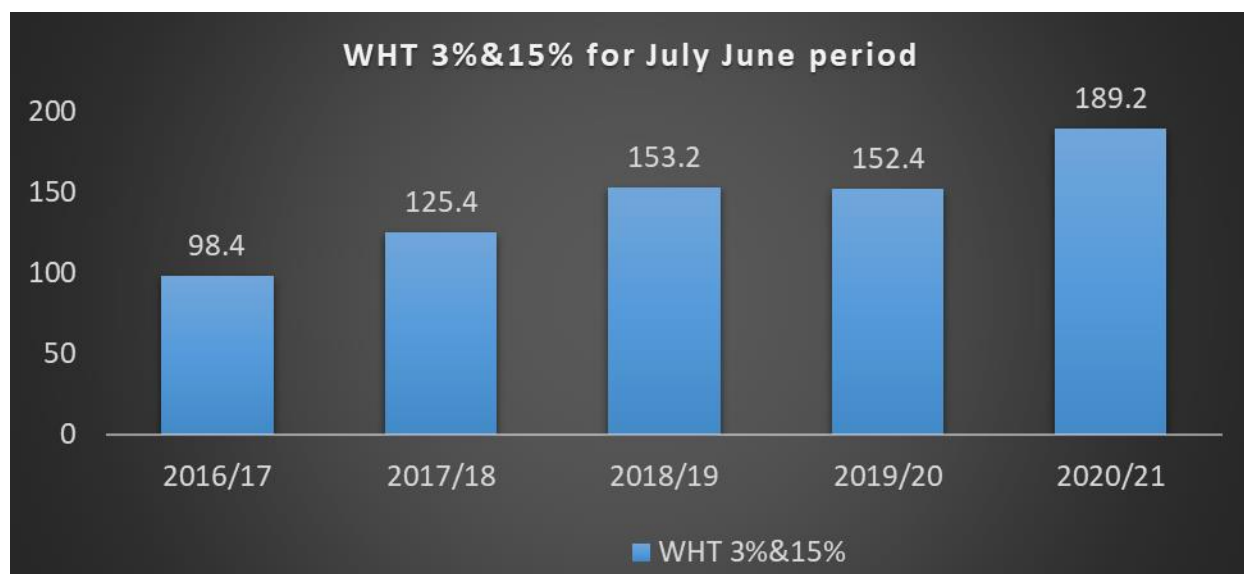
In terms of nominal increase, some sectors recorded an increase, while others have recorded a decrease in 2020/21 fiscal year compared to previous fiscal year. Among the sectors that increased their CIT payments in 2020/21, the top 5 in descending order were: Information and communication, which recorded an increase of Frw 6.6 billion (60% increase from Frw 10.9 billion in 2019/20 to Frw 17.6 billion in 2020/21), Wholesale and retail trade, which recorded an increase of Frw 681 million (4.2% increase from Frw 16.4 billion in 2019/20 to Frw 17.09 billion in 2020/21), Real Estate activities recording an increase of Frw 364 million (29.8% increase from Frw 1.2 billion in 2019/20 to Frw 1.5 billion in 2020/21), Mining and Quarrying with an increase of Frw 211 million (60.2% increase, from Frw 350 million in 2019/20 to Frw 561.4 million in 2020/21) and Agriculture, Forestry and Fishing with an increase of Frw 149 million (39.6% increase from Frw 378.2 million in 2019/20 to Frw 527.8 million in 2020/21)

Top six decreasing sectors in descending order were: Manufacturing sector, recording a decrease of Frw 3.5 billion (-17% decrease from Frw 20.3 billion in 2019/20 fiscal year to Frw 16.8 billion in 2020/21), Accommodation and Food services activities which recorded a decrease of Frw 1.6 billion (-59.8% decrease from Frw 2.6 billion in 2019/20 to Frw 1.1 billion in 2020/21), Transport and Storage, recording a decrease of Frw 1.0 billion (-11.7% decrease from Frw 8.7 billion in 2019/20 to Frw 7.7 billion in 2020/21), Professional, Scientific and Technical activities which recorded a decrease of Frw 873 million (-21.7% decrease from Frw 4.0 billion in 2019/20 to Frw 3.15 billion in 2020/21), Financial and Insurance Activities (-11.7% decrease, from Frw 8.7 billion in 2019/20 to Frw 7.7 billion in 2020/21), Financial and insurance activities, which recorded a decrease of Frw 677 million (-1.4% decrease from Frw 46.9 billion in 2019/20 to Frw 46.2 billion in 2020/21), and Administrative and Support Services Activities which recorded a decrease of Frw 417 million (-17.8% decrease from Frw 2.3 billion in 2019/20 to Frw 1.9 billion in 2020/21).

## **ii) Withholding taxes (15% and 3%)**

As the Withholding tax 3% and 15% are sometimes interchanged due to reporting inconsistencies, payments of these taxes (WHT 3% and 15%) made on behalf of internal and external suppliers is analysed jointly. **Figure 10** below shows the status of performance of WHT 15% and WHT 3% combined.

*Figure 10: Summary WHT 15% and 3%*



In July- June 2020/21, WHT (15% and 3%) collections totalled Frw 189.2 billion, against a target of Frw 179.1 billion, a surplus of Frw 10.1 billion.

The following are the top 5 sectors which experienced an increase in WHT payments: Public Administration and Defence; Compulsory Social Security (increased by Frw 64.3 billion), Financial and Insurance Activities (increased by Frw 4.1 billion), Electricity, Gas and Air Conditioning Supply (increased by Frw 3.5 billion), Human Health and Social Work Activities (increased by Frw 2.7 billion), and Other Service Activities which increased by Frw 2.1 billion.

**Table 3** below shows each withholding tax performance analysed separately over the years.

*Table 3: WHT performance by category*

Collection (in billion)	WHT 3%	WHT 15%	TOTAL WHT 3% & 15%
2016/17	24.7	73.7	<b>98.4</b>
2017/18	39.2	86.2	<b>125.4</b>
2018/19	72.1	81.1	<b>153.2</b>
2019/20	26.3	126.1	<b>152.4</b>
2020/21	27.6	161.6	<b>189.2</b>

*Source: RRA, 2021*

### iii) Tax on property

Collections for tax on property (Motor vehicle registration) for 2020/21 fiscal year reached **Frw 4.1 billion** against a target of **Frw 4.0 billion**, meaning an excess of **Frw 0.1 billion** on the target and achievement of **101.8%**. Compared to 2019/20 fiscal year, tax collections on property had a nominal increase of **Frw 0.3 billion** and a growth of **8.4%**.

## II.2.2 TAXES ON GOODS AND SERVICES

**Taxes on goods and services** in 2020/21 fiscal year performed at **100.9%**, registering an excess of **Frw 4.8 billion** of the target despite growing by **1.0%** from the **Frw 569.5 billion** collected in 2019/20 fiscal year. Details of the performance of taxes on goods and services are explained below.

### II.2.2.1 Net VAT collections

Net VAT collections for 2020/21 fiscal year totalled **Frw 531.4 billion** against a target of **Frw 523.3 billion**; this is an achievement of **101.6%** (excess to target of **Frw 8.1 billion**), with a growth of **8.1%** (i.e., nominal increase of **Frw 39.9 billion**), the projected growth was **6.5%**.

#### A. Domestic VAT collection

Domestic VAT collection for 2020/21 fiscal year totalled **Frw 367.6 billion** against a target of **Frw 364.6 billion**, registering an achievement of **100.8%**, exceeded the target by **Frw 3.0 billion**. There was a growth of **7.5%** when compared with 2019/20 fiscal year, which is above the projected growth of **6.6%**. This can be explained by; the base used to set the target for 2020/21 fiscal year where generally last year 2019/20 performed poorly due to COVID-19 effect, as well as the good performance while this fiscal year VAT performed well due to slight economic recovery. The average growth realised in the last three fiscal years was **14.5%**.

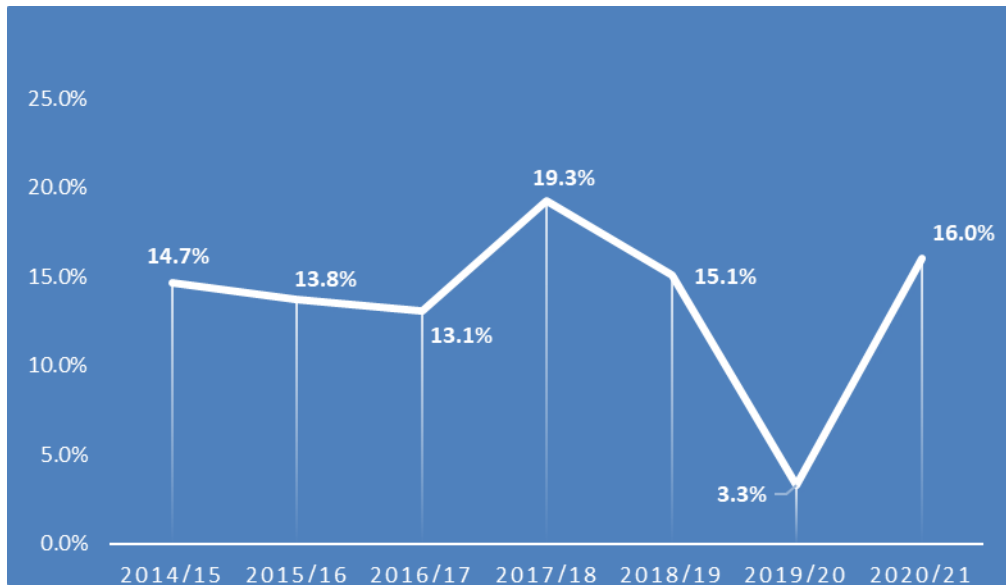
Below are the main reasons behind the VAT performance for the period under review:

### ***A.1 Increase in VAT turnover growth***

Total turnover from VAT declarations increased by **16.0%** in 2020/21 fiscal year compared to the growth of **3.3%** in 2019/20 fiscal year as shown in **Figure 11**. The main major sectors (by ISIC classification) which had significant increases in their performance compared to the previous periods were:

- i) Wholesale and retail trade:* which represents 43.8% of the total turnover, increased turnover by Frw 609.5 billion in 2020/21 fiscal year compared to the decrease in turnover of Frw 8.3 billion in 2019/20. This represents Y-o-Y growth of 20.7% from a negative growth of 0.3% realised in 2019/20 fiscal year.
- ii) Manufacturing:* In 2020/21 fiscal year, the total turnover growth for manufacturing sector increased by **22.8%**, a nominal increase of **Frw 251.7 billion**, compared to the increase of **12.7%** realised in 2019/20 fiscal year.
- iii) Financial Services:* Total turnover for financial and insurance activities increased in turnover by **13%** equivalent to **Frw 83.2 billion** in 2020/21 fiscal year compared to the decrease of **Frw 31.5 billion** (i.e., **-4.7%**) realised in 2019/20 fiscal year.
- iv) Information and Communication:* The total turnover for Information and Communication increased by **21.6%** (equivalent to **Frw 79.0 billion**) in 2020/21 fiscal year compared to the increase of 9.2% (**Frw 31.0 billion**) realised in 2019/20 fiscal year.
- v) Construction:* In 2020/21 fiscal year, total turnover for construction activities increased by **Frw 55.3 billion** (i.e., 10.4%) compared to the increase of **Frw 18.2 billion** recorded in 2019/20 fiscal year.

*Figure 11: VAT turnover growth for 2014/15 – 2020/21*



#### *A.2 Decrease of non-taxable sales*

In 2020/21 fiscal year, total turnover growth was **16%** (compared to **3.3%** in the previous fiscal year). The percentage share of **exempted sales to total turnover** decreased from 33.0% in FY 2019/20 to **30.7%** in FY2020/21. **Zero rated sales** share to total turnover also decreased from **6.4%** in 2019/20 to **6%** in 2020/21. **Exports** as percentage of turnover kept on same level of **1.6%**. As a result of the decreases happened in non-taxable sales, **taxable sales** share to the total turnover (as seen in **Figure 12**), increased from **59.1%** in 2019/20 to **61.9%** in 2020/21. This was favourable to VAT performance. One reason for the decrease of exempted sales is mainly driven large petroleum wholesalers whose sales (usually exempted) have decreased in FY 2020/21.



Figure 12: Taxable and non-taxable sales as a percentage of turnover



## B. VAT collected on imports

VAT collected on imports totalled **Frw 163.8 billion** in 2020/21 fiscal year compared to the target of **Frw 158.7 billion**. This is the achievement of **103.2%** (i.e., excess to the target of **Frw 5.1 billion**), with the positive growth of **9.5%** (equivalent to nominal increase of **Frw 14.2billion**) compared to 2019/20 fiscal year when the importations were affected by COVID-19. The average growth realised in the last three fiscal years was **6.6%**.

### II.2.2.2 Excise taxes

Revenue from excise duty amounted to **Frw 194.4 billion** against a target of **Frw 187.1 billion**. Collections were **103.9%** realising a growth rate of **16.4%**. Excise duty on beer was the major contributor to this tax head, with a contribution of **37%**. This was followed by excise duty on fuel, which contributed **30%**. Excise duty on Wines and Liquors, Airtime, Soft drinks and cigarettes contributed **8%, 8%, 7%** and **7%**, respectively. The rest of the revenue was from excise duty on vehicles and powdered milk.

The good performance of excise taxes was due to an increase in production of excisable products: Referring to GDP publication, it was noted that the production of beverage and tobacco has increased by 12.8% in FY 2020/21 compared to 7.1% increase that was recorded on FY 2019/20. Production for Information and communication services (of which airtime, which is excisable) has recorded an increase of 18.3% in FY 2020/21 from 14.6% growth that was recorded in FY 2019/20.

**Table 4** and **figures 13** and **14** illustrate the performance by product and the relative contributions of each product.

*Table 4: Excise duty collections by product*

	2020/21 Actual	2020/21 Target	Achievement	2019/20 Actual	2020/21 Growth
<b>Excise Duty Total</b>	<b>194.4</b>	<b>187.1</b>	<b>103.9%</b>	<b>167.0</b>	<b>16%</b>
Excise on Beers	72.2	67.8	106.5%	61.7	17%
Excise duty on Petroleum Products	59.3	59.1	100.4%	54.2	9%
Excise duty on Wines & Liquor	15.5	13.4	115.7%	11.2	38%
Excise duty on local Airtime	14.5	14.2	101.9%	12.2	18%
Excise duty on Soft Drinks	14.2	14.3	99.3%	13.4	6%
Excise duty on Cigarettes	13.8	13.2	104.6%	9.5	45%
Excise duty on Vehicles	4.9	5.1	96.2%	4.5	8%
Excise duty on Milk	0.1	0.1	125.4%	0.1	69%

Source: RRA, 2021

*Figure 13: Excise performance by product*

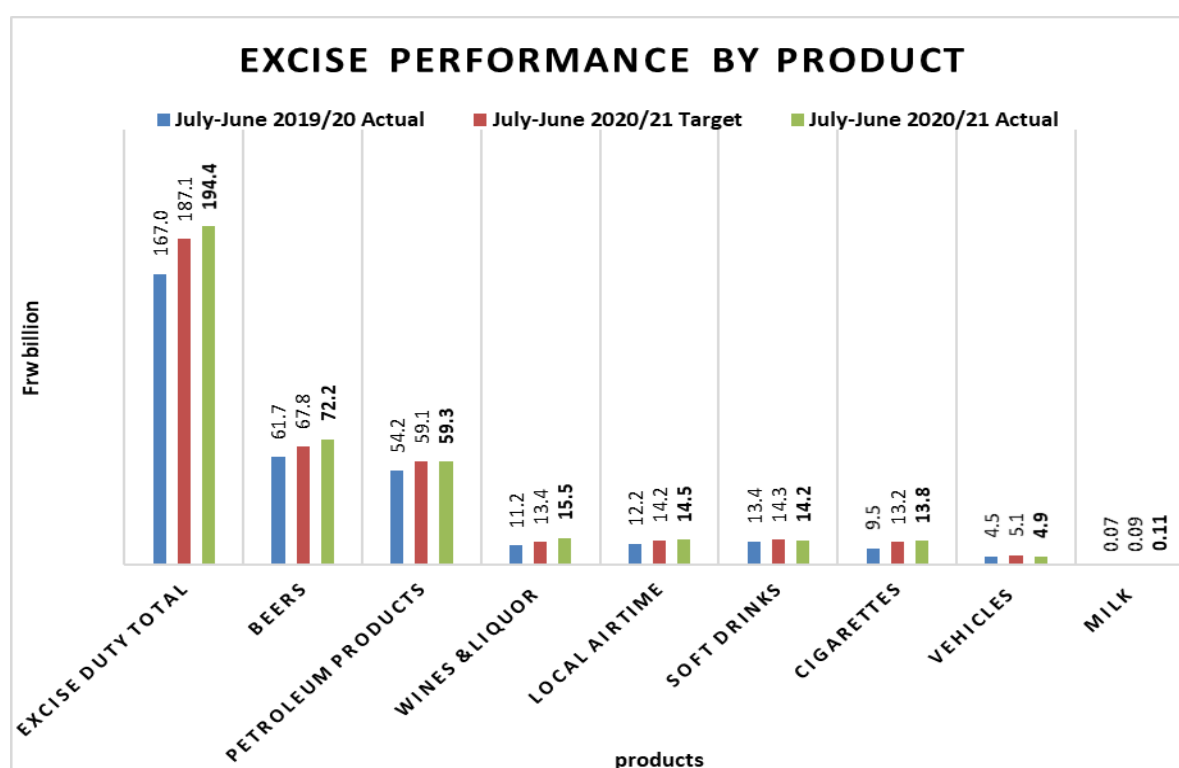
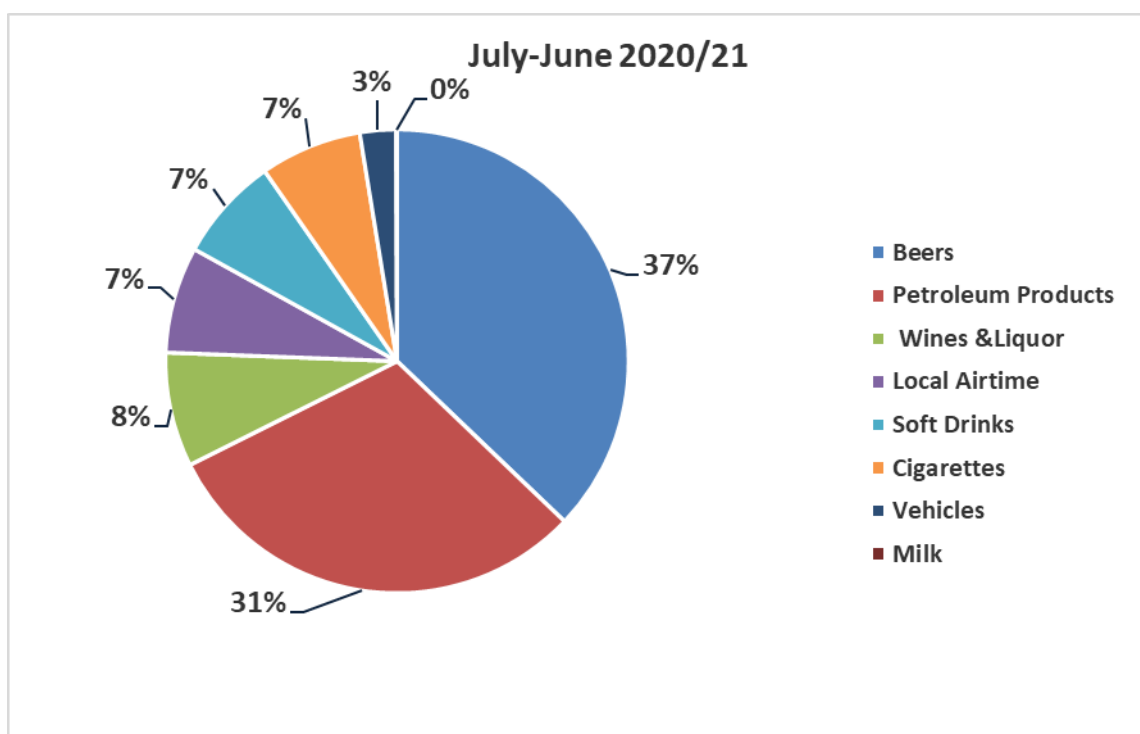


Figure 14: Percentage share of excise by products



#### A. Domestic excise taxes

**Domestic excise taxes** for 2020/21 fiscal year totalled **Frw 105.7 billion**, recording an excess of Frw 4.5 billion over the set target of **Frw 101.2 billion**. This is an achievement of **104.5%** and a growth of **14.4%**, which is above the projected growth of **9.5%**. **Table 5** illustrates the domestic excise performance by product.

Table 5: Domestic excise duty collections by product

	2020/21 Collections	2020/21 Target	% Achievement	2019/20 Collections	% Change 2020/21
BEER	71.3	67.0	106.5%	60.9	17.0%
SOFT DRINKS	10.3	11.3	91.4%	11.0	-6.2%
SPIRITS/WINES	7.0	5.3	131.0%	4.6	53.3%
AIR TIME	14.5	14.2	101.9%	12.2	18.3%
CIGARETTES	2.0	2.8	70.8%	3.2	-39.5%
<b>Total</b>	<b>105.7</b>	<b>101.2</b>	<b>104.5%</b>	<b>92.4</b>	<b>14.4%</b>

Source: RRA, 2021

## B. Excise taxes on imports

**Excise taxes on imports** totalled Frw **88.7 billion**, recording an excess of Frw **2.8 billion** on the target (Frw 85.9 billion) registering an achievement of **103.3%** and growth of **18.9%**. The main reason is a 87.6% increase in excise revenue from cigarettes. **Table 6** illustrates the imports excise performance by product.

*Table 6: Imports excise duty collections by product*

	2020/21 Collections	2020/21 Target	% Achievement	2019/20 Collections	2020/21 Growth
Petroleum products	58.6	58.4	100.3%	53.9	8.7%
Cigarettes	11.9	10.4	113.5%	6.3	87.6%
Wines and Liquors	8.5	8.1	105.7%	6.7	27.4%
Vehicles	4.9	5.1	96.2%	4.5	8.1%
Soft drink and water	3.8	3.0	129.3%	2.4	59.2%
Beer	0.9	0.8	109.6%	0.8	8.2%
<b>Total</b>	<b>88.7</b>	<b>85.9</b>	<b>103.3%</b>	<b>74.6</b>	<b>18.9%</b>

*Source: RRA, 2021*

### II.2.2.3 Road Maintenance Fund

**Road maintenance fund** (composed of fuel levy and road toll) collections totalled **Frw 50.9 billion** against a target of **Frw 50.0 billion**, registering an achievement of **101.8%** but recorded a growth of **5.3%** which is above last year's recorded decrease of 4.6%<sup>1</sup>. The main reason for this performance is that petroleum imports for local consumption have increased by 1.1% compared to 2019/20 fiscal year.

### II.2.2.4 Mining Royalties

Revenue collection from **mining royalties** amounted to **Frw 4.1 billion** against a target of **Frw 3.6 billion**; this is an achievement of **112.7%**. Compared to 2019/20 fiscal year, this was an increase of **44.7%**, which was significantly better than the previous year's performance, which recorded average decrease of **14.5%**. The collections from mining royalties' performance were due to gradual recovery of mineral prices on the international market and the new extraction method of minerals (from manual extraction to technological extraction).

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<sup>1</sup> The fuel levy is taxed based on the number of the litres delivered, and the rate is Frw 115 per litre

### I.2.2.5 Strategic Reserves Levy

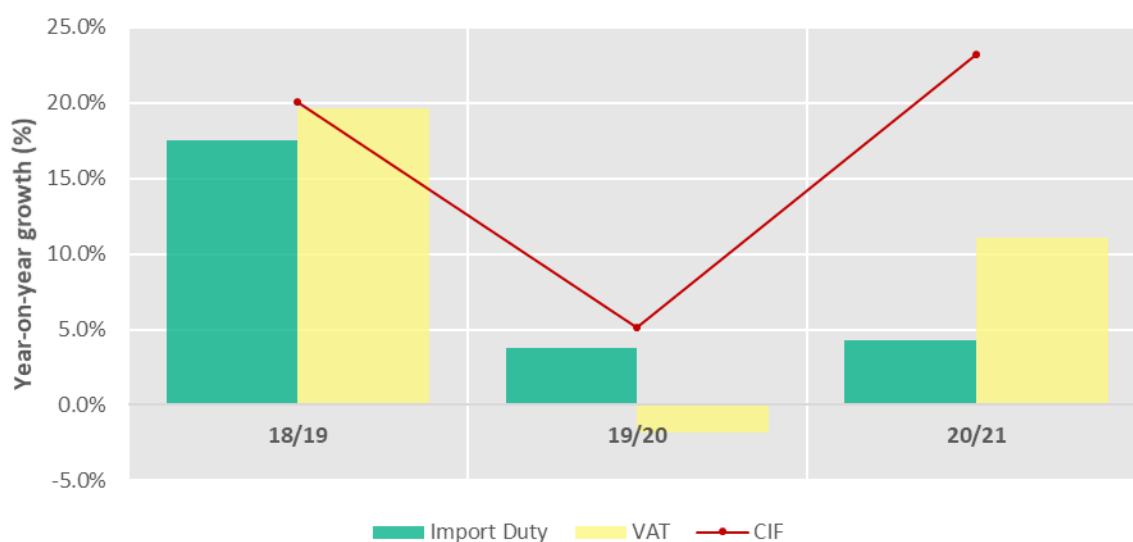
Revenue collection from **strategic reserves levy** totalled **Frw 11.5 billion**, recording a shortfall of **Frw 0.5 billion** over the target of **Frw 12.0 billion**, with an achievement of **96.0%** and recording a growth of 11.8%<sup>2</sup>. The main reason for the underperformance of strategic reserves levy is that petroleum imports for local consumption have increased at lower rate of 1.1% compared to 2019/20 fiscal year.

### II.2.3 TAXES ON INTERNATIONAL TRADE

Collections from international trade taxes (composed of import duty, infrastructure development levy and other customs fees) totalled **Frw 125.2 billion** in 2020/21 fiscal year, achieving **100.0%** of the **Frw 125.2 billion** target and representing a growth of **5.7%** compared to the previous year.

Import CIF, excluding petroleum products, increased by 23.2% in 2020/21 fiscal year compared to 2019/20 fiscal year. **Figure 15** shows that this is the highest year-on-year growth experienced over the last three years. It marks a large increase compared to year-on-year change in 2019/20 fiscal year, where annual growth was only 5.15%. Import duty had a year-on-year growth of 5.4%, while VAT revenues increased by 11%.

*Figure 15: Growth in import taxes and CIF*

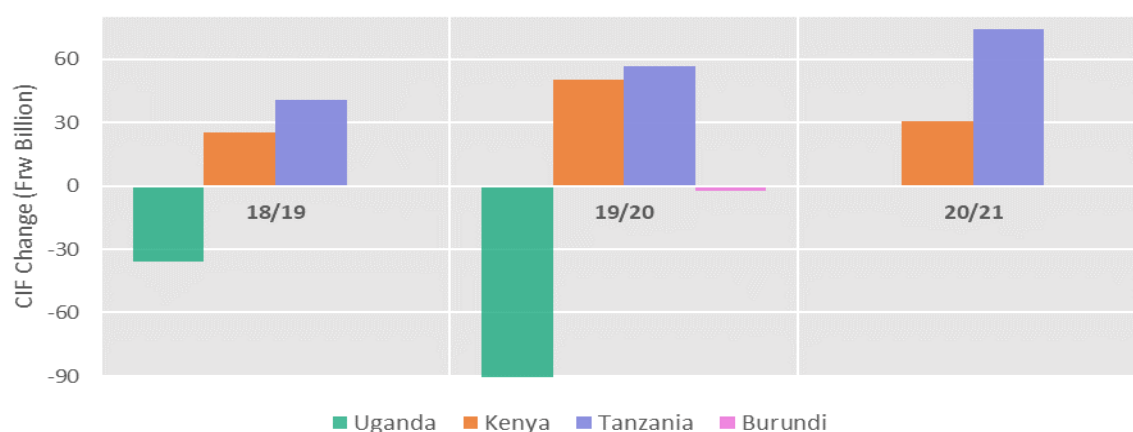


<sup>2</sup> The strategic reserves levy is taxed based on the number of the litres delivered, and the rate is Frw 32 per litre

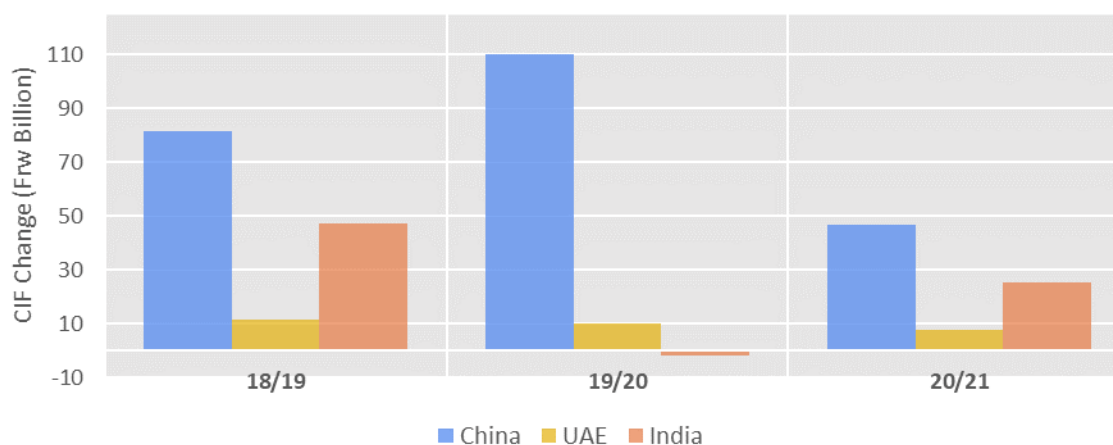
Imports from within the EAC region increased especially those from Tanzania, continuing a year-on-year trend from 2018/19 fiscal year. Imports from Kenya increased in 2020/21 fiscal year, however at a lesser degree than in 2019/20 fiscal year. **Figure 16** shows that the value of CIF imports from Uganda increased, while it declined for Burundi.

On the other hand, CIF value from usual Rwanda's top non-EAC importing countries experienced a year-on-year decline in the 2020/21 fiscal year. **Figure 17** shows that imports from China and UAE, recorded a decrease of **Frw 63.4 billion** and **Frw 2.4 billion** respectively in 2020/21 fiscal year. While imports from India experienced a year-on-year decrease of **Frw 23.8 billion**.

*Figure 16: Annual CIF changes of Imports from EAC origin*



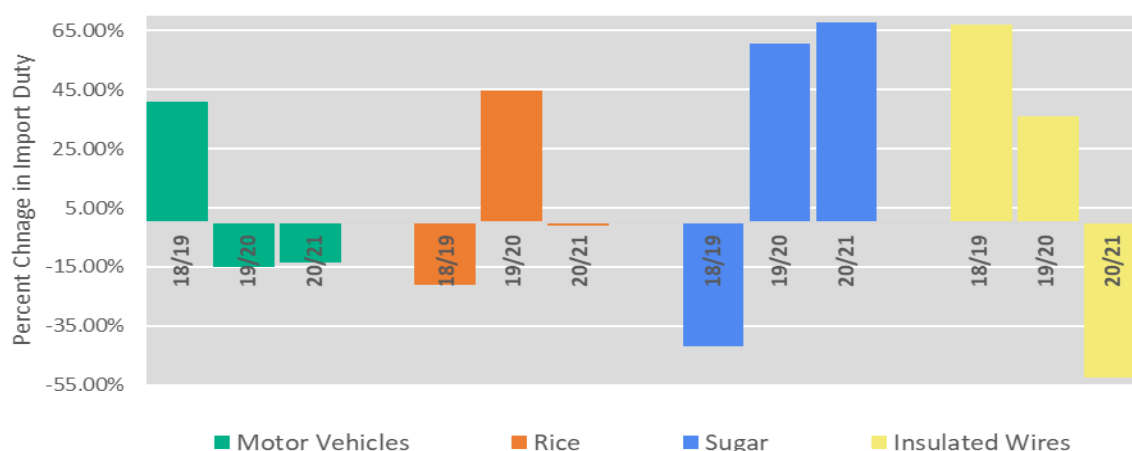
*Figure 17: Annual CIF changes of Imports from non-EAC origin*



### II.2.3.1 Customs Duty

Import duty collections have increased by **5.4% (Frw 5.3 billion)** to reach **Frw 103.3 billion** in 2020/21 fiscal year. This is **Frw 0.7 billion** below the target, resulting in an achievement rate of **99.3%**. The increase in CIF can be explained by greater value of imports from within the EAC region, predominantly from Kenya and Tanzania. This led to **21%** increase of imports from within the EAC. Larger share of EAC imports contributes to the lower growth of import duty. **Figure 19** shows the change in Customs Duty for the largest imports in 2020/21 fiscal year to date. Customs Duties for insulated wires experienced a large decline in 2020/21 fiscal year compared to previous fiscal years. Customs Duty for sugar experienced the largest year-on-year increase of **67.7%**, indicating the rising dominance of sugar for Customs Duty revenues.

*Figure 18: Change in Customs Duties paid for the largest Imports*



### II.2.3.2 Infrastructure Development Levy

Collections for **infrastructure development levy** totalled **Frw 14.4 billion**, recording an excess of **Frw 0.3 billion** above the target of **Frw 10.1 billion**, with an achievement of **102.3%** and an increase of **7.2%**. There are various exempted products for this levy but which have been in place since the levy's launch. These exemptions are for fertilisers and seeds, live animals, medicine and pharmaceutical products, medical equipment, mosquito nets, industrial machinery and equipment for energy and water sectors, and goods for investment projects with investment certificates.

### II.2.3.3 African Union Import Levy

For 2020/21 fiscal year, African Union Levy collections totalled **Frw 1.82 billion**. This achieved 95.2% of the **Frw 1.91 billion** target representing a year-on-year increase of 5.6% from the **Frw 1.73 billion** collected in 2019/20 fiscal year, a nominal increase of **Frw 97 million**<sup>3</sup>.

### II.2.3.4 Other customs revenues

Collections for other customs revenues totalled **Frw 5.6 billion** in 2020/21 fiscal year, exceeding the target of **Frw 5.0 billion** and representing a growth of 7.4% compared to **Frw 5.2 billion** collected in 2019/20 fiscal year.

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<sup>3</sup> The levy is applied at a rate of 0.2% of import CIF for financing African Union activities and it does not apply to goods exempted under relevant laws.



### III. ADMINISTRATIVE MEASURES THAT SUPPORTED REVENUE COLLECTION ACHIEVEMENT

During the 2020/21 fiscal year, RRA continued the implementation of various administrative measures in order to enhance revenue collection and achieve the target. Key administrative measures included:

#### *III.1 WIDEN THE TAX BASE THROUGH TAXPAYER REGISTRATION*

Through internal IT systems, RRA used data matching and identified potential taxpayers to be registered. Risk rules were built in the Business Intelligence system (BI) which centralises data from different RRA source systems for analysis to help in identifying taxpayers for registration on different tax types. Consequently, 1,241 new taxpayers (CIT/PIT: 1,142; VAT: 92 and PAYE: 7) that were not registered on a particular tax head and fulfilling conditions for registration were registered using risk rules as follows:

- a) Taxpayers whose turnover equal or exceeds Frw 20 million in CIT/PIT but not registered in VAT: **68 taxpayers were registered in VAT** while 15 were being analysed.
- b) Contributors to RSSB whose salaries = > Frw 30,000 with no PAYE declaration: **7 taxpayers were registered for PAYE.**
- c) Taxpayers who imported goods with CIF equal or greater than Frw 20 million but not registered in CIT: **8 were registered for PIT**, 82 were blocked in Customs for follow up.
- d) Taxpayers with CIF between Frw 2 million and 20 million but not registered on CIT/PIT: **23 were registered for PIT**, 115 were blocked in customs for follow up.
- e) Taxpayers who declared and paid trading licence  $\geq$  Frw 40,000 million in 2020, but they are not registered in PIT/CIT: **1,095 were registered on CIT/PIT**; 2,442 taxpayers are still being followed up for registration.
- f) Taxpayers with income tax account open, but not registered in VAT: **21 taxpayers were registered on VAT** while 24 taxpayers are being analysed.

g) Taxpayers with purchase amount  $\geq$  Frw 20 million but with no income tax: **16 taxpayers were registered on PIT**, 30 are being followed up.

h) Importers with vatable goods CIF  $\geq$  Frw 20 million in a quarter subject for VAT registration: **3 taxpayers were registered on VAT**, 2 are being followed up.

RRA will continue to monitor for registration all identified potential taxpayers that are still being analysed.

As a result of the above strategies, sensitization on taxpayer registration as well as voluntary registration, the number of new registered taxpayers during FY 2020/21 was **66,231** from **37,741** in 2019/20. Newly registered taxpayers for different tax types contributed **Frw 23.4 billion** in 2020/21 as indicated in **Table 7** below, compared to **Frw 20.6 billion** recorded in 2019/20.

*Table 7: The tax contribution of newly registered taxpayers in 2020/21*

Tax Type	Number of newly registered taxpayers on tax type, who paid domestic tax in 2020/21 <sup>4</sup>	Domestic tax paid by newly registered taxpayers in 2020/21 (Billion Frw)	Total domestic tax paid by all domestic registered taxpayers in 2020/21 (Billion Frw)	% Contribution of tax paid by new registered taxpayers to total domestic tax paid in 2020/21
<b>PAYE</b>	1,367	5.2	366.6	1.4%
<b>Profit Tax</b>	2,278	0.6	130.3	0.5%
<b>Excise</b>	16	0.5	105.7	0.4%
<b>VAT</b>	2,545	10.1	367.6	2.8%
<b>WHT on Public Supplies (other than VAT)</b>	112	0.2	27.9	0.8%
<b>Other WHT</b>	741	6.8	161.2	4.2%
<b>Total</b>	<b>7,059</b>	<b>23.4</b>	<b>1,159.3</b>	<b>2.0%</b>

Source: RRA, 2021

<sup>4</sup> Include taxpayers who registered, paid, and subsequently deregistered in the same reporting fiscal year. Includes also those who registered to a new tax type, but are not entirely new taxpayers (ex. They have recently registered for VAT, although they have been PAYE registered for some time). This implies that a taxpayer can be counted twice, if they have registered for multiple tax types.

In addition, as a result of taxpayers' registration activities mentioned above, the net total number of taxpayers in the RRA tax register increased to **292,156** as of end June 2021 compared to **229,497** as of end June 2020. This represents a year-on-year growth of **27.3%** against a target of **15%**. However, **3,572** taxpayers were deregistered during 2020/21 fiscal year subsequent to their request compared to **2,206** deregistered in 2019/20 fiscal year.

Of the current taxpayers in the tax registry, **374** are categorised as **large taxpayers** (0.1% of the total); **840** are **medium taxpayers** (0.3% of the total) and **290,942** are **small or micro taxpayers** (99.6% of the total).

Regarding the percentage contribution of each category of taxpayers to total RRA tax revenue collection amounting Frw 1,635.8 billion, large taxpayers contributed **55.1% (Frw 901.4 billion)**, medium taxpayers' contribution was **10.0% (Frw 163.3 billion)**, while small taxpayers contributed **34.9% (Frw 571.1 billion)**.

In addition, **20,517** vehicles were newly registered during the 2020/21 fiscal year. This represents a year-on-year increase of 12.4% from the 18,255 that were newly registered in 2019/20 fiscal year; compared to 1.8% year-on-year increase that was recorded in 2019/20. The cumulative number of vehicles registered in the RRA system by the end of the 2020/21 fiscal year was **259,270<sup>5</sup>** from 231,973 by end of the 2019/20 fiscal year.

### ***III.2 TAX AUDITS AND POST-CLEARANCE AUDITS***

#### **III.2.1 Small and Medium Taxpayers Office and RRA Provinces**

During the 2020/21 fiscal year, total tax audits concluded by Small and Medium Taxpayer Office (SMTO) in Kigali were **192** (72 comprehensive and 120 issue audits) against 200 planned, this is an achievement of **96.0%**. In addition, 18,948 desk audit cases were conducted by SMTO (including desk audits for non-payers and non-filers) compared to 23,343 cases that were conducted in 2019/20 fiscal year.

The initial tax declared by all these cases totalled Frw 10.2 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 41.1 billion, an additional assessment of Frw **30.9**

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<sup>5</sup> This may include vehicles that are no longer on the road and have not yet returned their number plates to the RRA.

**billion.** The average tax declared by all audited SMT0 taxpayers including desk audit cases amounted to **24.8%** of the total re-assessed tax (principal only, before appeals).

RRA domestic tax offices in Provinces completed **227** tax audit cases (50 comprehensive and 177 issue-oriented audits) against **300** that were planned, this is a target achievement of **75.7%**. In addition, 1,685 desk audit cases were conducted and completed by tax offices in Provinces.

The initial tax declared by all these cases concluded by domestic tax offices in Provinces totalled Frw 0.4 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 3.9 billion, an additional assessment of Frw **3.5 billion**. The average tax declared by all audited taxpayers in Provinces including desk audit cases amounted to **10.3%** of the total re-assessed tax (principals only, before appeals).

The performance of tax audit in Provinces was hindered by special assignment that required tax auditors to suspend comprehensive tax audits and focus on refund audit of VAT backlog from July to December 2020.

### **III.2.2 Large Taxpayers Office**

Large taxpayers' office (LTO) completed at final notice of assessment **87** audit cases (85 comprehensive and 2 issue-oriented audits) out of **86** cases that were planned in 2020/21 fiscal year, representing an achievement of 101.2%. In addition, 226 desk audit cases were conducted by LTO.

The initial tax declared by all audited large taxpayers totalled Frw 195.7 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 254.2 billion, an additional assessment of Frw **58.5 billion**. The average tax declared by audited LTO taxpayers amounted to **77.0%** of the total re-assessed tax (principals only, before appeals).

### **III.2.3 Customs Services Department**

Customs Services Department (CSD) completed **279** post-clearance audit cases (80 comprehensive audit cases and 41 desk audit cases) against 300 planned; this is an achievement of **93.0%**. Due to the impact of COVID-19 pandemic, 21 comprehensive audit cases were not finalized hence carried forward to fiscal year 2021/22.

The initial tax declared by all audited importers totalled Frw 273.6 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 273.9 billion, an additional assessment of Frw **0.3 billion**. The average tax declared by audited importers amounted to **99.9%** of the total re-assessed tax (principals only, before appeals).

### ***III.3 COMBATING TAX EVASION***

Revenue Investigation and Enforcement Department (RI&ED) completed 190 tax investigation cases (3 comprehensive-related cases, 185 immediate assessment cases and 2 customs investigation cases).

The initial tax paid by the investigated taxpayers totalled Frw 0.9 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 3.4 billion, an additional assessment of Frw 2.5 billion. The average tax initially paid by investigated taxpayers amounted to 26.5% of the total re-assessed tax (principals only, before appeals).

Through surveillance activities, **888** anti-smuggling operations were conducted, a range of smuggled goods were impounded and **2,778** statements of offence were established. The top five smuggled goods in 2020/21 included second hand clothes and shoes, loin clothes (Ibitenge), liquors and wines, raw tobacco and cigarettes and illicit cosmetics and prohibited electric wires. Value of smuggled goods seized in 2020/21 amounted to Frw 1.8 billion compared to Frw 3.0 of smuggled goods seized in 2019/20.

In addition, the Revenue Investigation and Enforcement Department continued to conduct verifications and enforcement of EBM usage in Kigali and provinces through VAT invoicing campaigns and searching fictitious or ghost companies selling EBM invoices.

Tax fraud is a serious offence and on conviction by the Court, a taxpayer may even be subject to imprisonment. In FY 2020/21, **22 tax fraud cases** were forwarded to Rwanda Investigation Bureau (RIB) for prosecution process compared to 17 cases forwarded in 2019/20; of which 11 cases were submitted to Court waiting for trial in substance, 9 were under prosecution and 2 cases were still under Rwanda Investigation Bureau for further investigation.

### III.4 RECOVERING TAX ARREARS

#### III.4.1 Domestic tax arrears

Enforcement of domestic tax arrears recovered **Frw 48.6 billion**. This represents a decrease of 19.1% compared to Frw 60.1 billion of tax arrears collected in 2019/20 fiscal year. The main reason for this decrease in 2020/21 was that the COVID-19 pandemic context has not allowed enforcement officers neither to operate from taxpayers' premises, nor proceed to strong enforcement measures like garnishment, closure or auction.

Out of the domestic tax arrears collected in 2020/21, Frw 9.8 billion (20.2%) came from the large taxpayers; and Frw 38.8 billion (79.8%) from the small and medium taxpayers. Domestic tax arrears collected accounted for **4.2%** of the total domestic tax revenue collections in the 2020/21 compared to 5.6% in 2019/20. The arrears collections by tax type are displayed in **Table 8** below.

*Table 8: Domestic tax arrears collections by tax type, in billions of Frw*

Tax Type	FY 2020/21	FY 2019/20	Variance	% Change
VAT	22.3	21.8	0.5	2.3%
INCOME TAX	9.5	20.7	-11.2	-54.1%
PAYE	11.5	9.7	1.8	18.6%
WHT	5	7.8	-2.8	-35.9%
EXCISE TAX	0.1	0.01	0.1	900.0%
MINERAL TAX	0.2	0.1	0.1	100.0%
GAMING TAX	0.02	0.0	0.02	-
<b>TOTAL</b>	<b>48.6</b>	<b>60.1</b>	<b>-11.5</b>	<b>-19.1%</b>
<i>of which large taxpayers</i>	<i>9.8</i>	<i>17.1</i>	<i>-7.3</i>	<i>-42.7%</i>
<i>of which small &amp; medium taxpayers</i>	<i>38.8</i>	<i>43.0</i>	<i>-4.2</i>	<i>-9.8%</i>

*Source: RRA, 2021*

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 2020/21 fiscal year amounted to **Frw 485.1 billion** (of which 16.7% were owed by public institutions). This represents a year-on-year growth of **36.8%** from the **Frw 354.7 billion** stock of arrears at the end of 2019/20. Stock of domestic tax arrears by age are displayed in **Table 9** below.

**Table 9: Stock of domestic tax arrears by category of taxpayers and by age, in Frw billion**

Age of domestic tax arrears	Domestic tax arrears for large taxpayers at end of 2020/21	Domestic tax arrears for small and medium taxpayers at end of 2020/21	Total domestic tax arrears at end of 2020/21	Percentage share to total domestic tax arrears
Less than 3 months overdue	1.6	13.5	15.1	3.1%
Between 3 and 6 months overdue	6.5	138.3	144.8	29.8%
Between 6 and 12 months overdue	6.1	33.8	39.9	8.2%
More than 12 months overdue	77.2	208.1	285.3	58.8%
<b>Total</b>	<b>91.4</b>	<b>393.7</b>	<b>485.1</b>	<b>100%</b>

*Source: RRA, 2021*

At the end of 2020/21, there were domestic tax arrears of Frw 15.1 billion related to debts less than 3 months overdue, this is 3.1% of the total stock of arrears. On the other hand, Frw 285.3 billion related to debts of more than 12 months, 58.8% of the total. Small and medium taxpayers have a high amount of domestic tax arrears, accounting for 81.2% of total domestic tax arrears as of end June 2021.

In terms of categories for the stock of tax arrears, Frw 133.9 billion, representing 27.6% of the total domestic tax arrears are categorised under recoverable arrears, Frw 342.7 billion equivalent to 70.7% are under difficult arrears, while Frw 8.5 billion representing 1.8% of the total are categorised under irrecoverable arrears. Details of the categorisation of arrears are given in **Table 10** below.

**Table 10: Categories of domestic tax arrears at the end of 2020/21 fiscal year**

Category	Number of cases	Amount of domestic tax arrears (Billion Frw)	Percentage share to total amount of domestic tax arrears
Recoverable arrears cases	10,533	133.9	27.6%
Difficult arrears cases	38,582	342.7	70.7%
Irrecoverable arrears cases	4	8.5	1.8%
<b>Total</b>	<b>49,119</b>	<b>485.1</b>	<b>100%</b>

*Source: RRA, 2021*

RRA is intensifying efforts to reduce the stock of domestic tax arrears through different strategies including ensuring a rapid response to new debts, maintaining updated taxpayers accounts for accurate outstanding balances of arrears, automation of non-payment notification messages (warning letters and reminders) to expedite the process of debt recovery of new debts, automate offsetting of VAT refunds and approved credit notes with unpaid tax debts, ensuring the approved VAT refunds of taxpayers who have unpaid tax debts are used to offset their tax arrears, simplifying instalment payment agreements to reduce difficult debts and increase collectible debts, building a predictive analytics model for the detection of companies that are likely to fall into irrecoverable tax liabilities, engaging MINECOFIN to implement the recent system integration between E-tax system and IFMIS to garnish payments to government suppliers who have tax liabilities, accelerating the process of write-off and waiver of unrecoverable tax arrears in order to remain with a manageable debt portfolio, identifying and auctioning all properties belonging to debtors who have failed to pay their tax debts.

#### **III.4.2 Customs tax arrears**

The arrears collected by Customs Services Department amounted to Frw 19.0 billion, of which government institutions and projects paid 58.9% (Frw 11.2 billion) while 41.1 % (Frw 7.8 billion) were collected from other customs arrears and fines. This represents a year-on-year decrease of 33.1% from the Frw 28.4 billion collected in 2019/20.

The stock of customs arrears as of end June 2021 amounted to Frw 71.0 billion, representing a year-on-year growth of 135.1%; and of which 93.0% (Frw 66.0 billion) was owed by government institutions and projects while 7.0% (Frw 5.0 billion) was from other customs arrears and fines. Details are contained in **Table 11** below which displays customs tax arrears collection and stock of arrears as of end June 2021.



**Table 11: Customs tax arrears collection in 2020/21 fiscal year and stock of customs arrears as of end June 2021 (Billion Frw)**

Category	Arrears as of 30th June, 2020	New arrears during 2020/21	Total arrears recorded in 2020/21	Arrears collected during 2020/21	Stock of arrears as of 30th June, 2021
Importation by Government institutions/Projects	25.2	52.0	77.2	11.2	66.0
Other arrears	3.7	6.8	10.5	7.0	3.5
Fines	1.3	1.1	2.3	0.8	1.5
<b>TOTAL</b>	<b>30.2</b>	<b>59.9</b>	<b>90.0</b>	<b>19.0</b>	<b>71.0</b>

Source: RRA, 2021

### **III.5 STRENGTHEN USAGE OF ELECTRONIC INVOICING SYSTEMS**

RRA continued to undertake initiatives aimed at improving VAT compliance through Electronic Invoicing System enhancement and monitoring. During 2020/21 fiscal year, a number of actions were undertaken including the following:

- a) Launching of Electronic Invoicing Systems for all categories of taxpayers to digitize and further simplify the issuance of receipts. This is in line with The Government of Rwanda's agenda of bringing technology in service delivery. To this effect, taxpayers are required to apply for one of the following electronic invoicing systems appropriate to his/her business:
  1. **EBM Software:** This system is installed in a taxpayer's computer (desktop, laptop, tablet or POS). The EBM software is specifically designed for large and medium taxpayers as well as others who may apply for it.
  2. **EBM Mobile System:** This system is installed in taxpayer's smart phones. Issuance of EBM receipts is done through an SMS, which contains all necessary information and a link that leads to the details of the receipt. Eligible taxpayers to this solution are those whose annual turnover does not exceed Frw 20.0 million.
  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 Frw 20.0 million, and does not issue receipts frequently. Example of eligible taxpayers are like transporters, consultancy, rental services, lawyers, etc.

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. Owners of such systems express integration requests to RRA to enable their systems to interact with EBM system while issuing receipts online. The requests are sent to [cis\\_sdc\\_certification@ra.gov.rw](mailto:cis_sdc_certification@ra.gov.rw).

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.

- b) Migration from e-invoicing system V.1 to V.2: RRA continued to install e-invoicing system V.2 software to taxpayer's machines and provided training to software users. As of end June 2021 the total number of taxpayers who had e-invoicing system V.2 was **19,852** compared to 9,771 as of end June 2020, this is 103% increase. The number of taxpayers having e-invoicing system V.2 as of 30th June 2021 accounted for **60.4%** of total number (32,848) of taxpayers having e-invoicing system at the same period.
- c) Extension of EBM usage to non-VAT registered taxpayers (NVRTs): As per the provision of the article 17 of Law N° 026/2019 of 18/09/2019 on Tax Procedures which states that "A person who carries out any taxable activity must issue an invoice generated by an electronic invoicing system certified by the Tax administration", RRA sensitised taxpayers to acquire electronic invoicing system, provided service of installation remotely and conducted taxpayers' trainings on webex as measure of preventing COVID-19 spread by physical contact. As of end 2020/21 fiscal year, **3,535** non-VAT registered taxpayers had acquired electronic invoicing system.
- d) Usage of data analysis to identify non-compliance cases on VAT. RRA data science team worked on different solutions based on their potential impact on revenue mobilization, these include the following:
  - i) Developed a solution allowing detection of fictitious invoices sellers: This solution was developed to mitigate the issuance of fictitious invoices and recovering the VAT on inputs claimed from those invoices and to deter taxpayers from engaging with fictitious invoices.

- ii) Developed stock analysis solution: The stock analysis application was developed for facilitating RRA staff to analyse stock of taxpayers, specifically for detecting non issuance of EBM invoices for a given taxpayer.
  - iii) Developed a supply chain analysis dashboard: This dashboard was developed to unlock the non-compliance behaviour of taxpayers by notably highlighting underpricing cases, misuse of tax rates and misuse of client identification number whether a TIN or phone number.
  - iv) Developed a solution to detect unreported invoices: This is a web application used to detect the invoices that were reported after a taxpayer's declaration due date and were not declared.
- e) Sensitised taxpayers through day-to-day activities, encouraged them to acquire and use e-invoicing system and assisted them on e-invoicing system usage. As a result of these actions, a total of 32,848 registered taxpayers had e-invoicing system as of end June 2021. This means there was an increase of 37.4% (8,938 taxpayers) over 12 months compared to an increase of 14.1% that was registered in 2019/20. In addition, during 2020/21 fiscal year, **29,576,202** invoices were issued through e-invoicing system compared to **29,053,616** recorded in 2019/20 fiscal year, this is 1.8% increase.
- f) Handled various taxpayers' queries in back office, most of them were related to local audit support for tracing potentially missed sales for purpose of declaration and support on password resetting.

### ***III.6 MONITORING OF NON-FILERS AND NON-PAYERS***

The RRA keeps track of all taxpayers who do not met their filing and payment obligations. The compliance monitoring team played a big role in enforcing compliance among taxpayers especially on monitoring non-payment and non-filing of tax returns. This was done through monthly checks on filers, sending SMS before and after due dates, identifying non-filers, non-payers and inactive taxpayers in order to take relevant actions, inviting stop filers and meeting with them to know the reason for stop filling, and so on.

In 2020/21 fiscal year, **20,633** notices of assessment worth **Frw 33.8 billion** were sent to non-payers, while **1,778** notices of assessment worth **Frw 6.5 billion** were sent to non-filers, all under small and medium taxpayers' category.

### **III.7 TAX EDUCATION AND INFORMATION**

In 2020/21 fiscal year, RRA continued to intensify tax education and information programs across the country. Key activities carried out include the following:

- a) **Conducted 4 tax dialogues against the annual target of 2 dialogues, with selected taxpayers and stakeholders on tax issues; these were attended by 60 taxpayers and stakeholders** as follows: 30 taxpayers and young entrepreneurs' representatives operating in Northern Province and 30 taxpayers and young entrepreneurs' representatives operating in Southern Province.
- b) Conducted a high-level meeting of Tax Platform for Business Competitiveness attended by **20 PSF Members**. The annual target was to conduct 2 high-level meetings of Tax Platform for Business Competitiveness.
- c) Conducted tax education sessions through both physical meetings and telephone calls with **32,825 newly registered taxpayers** in 30 districts across the country as displayed in **Table 12** below.

*Table 12: Number of newly registered taxpayers by district trained during 2020/21 fiscal year*

<b>District</b>	<b>Number of newly registered taxpayers trained</b>	<b>District</b>	<b>Number of newly registered taxpayers trained</b>
Rusizi	81	Nyaruguru	52
Rubavu	284	Muhanga	490
Karongi	212	Nyanza	177
Nyamasheke	210	Nyamagabe	337
Nyabihu	246	Ruhango	224
Rutsiro	101	Ngoma	259
Ngororero	143	Kayonza	822
Musanze	498	Rwamagana	610
Gakenke	145	Nyagatare	792
Burera	104	Gatsibo	413
Rulindo	157	Kirehe	1,589
Gicumbi	356	Bugesera	1,693
Kamonyi	540	Gasabo	6,533
Huye	896	Nyarugenge	9,239
Gisagara	142	Kicukiro	5,480

- d) **Conducted consultative meetings/workshops/seminars on the findings of the annual compliance improvement plan for the fiscal year 2020/2021; attended by 446 taxpayers and other stakeholders** as presented in **Table 13** below:

*Table 13: Number of participants in consultative meetings/workshops/seminars on the findings of the annual compliance improvement plan for FY 2020/2021*

Category of taxpayers/stakeholders	Number of participants
PSF Board members	14
RWAFFA Board members, clearing agencies and importers	70
Tax advisors	96
Suppliers of hotels and restaurants	27
Financial institutions	46
Small taxpayers from financial services and suppliers of hotels, bars and restaurants operating in Southern, Northern, Western and Eastern Provinces	193
<b>Total</b>	<b>446</b>

- e) **Conducted consultative meetings on customs compliance**, especially on the implementation of the African Continental Free Trade Area (AfCFTA) agreement on Rules of Origin and Tariff Concession and its benefits, with 40 participants from Exporters, Manufacturers and Importers, and 25 Clearing Agencies Owners and RWAFFA Association, and on issue of genuine invoices with 51 key importers (Spare Parts, Lubricants and Hardware).
- f) **Conducted tax education sessions/workshops/consultative meetings on different tax issues**, with the following taxpayers/stakeholders as shown in **Table 14** below.

*Table 14: Number of participants in tax education sessions/workshops/consultative meetings on different tax issues*

Category of taxpayers/stakeholders	Issue/topic discussed	Number of participants
Women entrepreneurs	Domestic taxes	54
Opinion leaders from Western Province	Anti-smuggling	40
ICPAR members	Transfer pricing guidelines	81
Multinational enterprises	Transfer pricing guidelines	88
Cybercafé owners	High costs charged to RRA services (motor vehicles transfer, register a business, etc..) offered by cybercafé owners.	101
Women in business from Access Bank Rwanda customers	Domestic taxes and tax obligations	70
Students' members of tax friends club from College Saint Andre	Role of taxes in socio-economic development of Rwanda	46
<b>Total</b>		<b>480</b>

- g) **Conducted sixty (60) Tax Advisory Council (TAC) meetings** in all districts across the country. The annual target was 60 TAC meetings.
- h) Conducted consultative meetings with different categories of taxpayers/stakeholders as shown in **Table 15**, on EBM compliance issues, especially on **issues of the use of EBM for all and validation of deductible expenses**

*Table 15: Number of participants in consultative meetings on issues of the use of EBM for all and validation of deductible expenses*

Category of taxpayers/stakeholders	Number of participants
Hardware dealers, Bralirwa and Inyange distributors	70
Supermarkets, hotels, and restaurants' owners	30
Representatives of ATAR, ICPAR, RWAFFA, KPMG and PWC	35
Taxpayers operating in transport sector	26
Tax advisors and ICPAR members	173
Lawyers	273
Taxpayers operating in hospitality sector and their suppliers	99
Private hospitals association, ASSAR members, medical insurance companies, brokers and insurance agents.	144
Board members of PSF	15
Taxpayers operating in construction sector	41
Rwanda Banks Association	27
Travel agencies and Tour operators	55
Local NGOs	90
Members of petroleum association	36
Representatives of Rwanda Cooperative Agency, association of registered cooperative and chief cooperative inspectors at provincial level.	24
Chairpersons and accountants of representatives of cooperatives operating in all districts of Eastern, Western, Northern and Southern provinces.	77
Pharmacy owners	198
Banks Chief Finance Officers	6
<b>Total</b>	<b>1,419</b>

*Source: RRA, 2021*

- i) RRA celebrated the 18th taxpayers' appreciation day which offered an opportunity to present to taxpayers and wider public the evolution of tax revenue collections in Rwanda and its impact on the national economy. Taxpayers' appreciation day at national level was marked on 20th November 2020, but build-up activities began from 16<sup>th</sup> October 2020 through November 2020. The overarching 2020 taxpayers' appreciation day theme was: **“Support Business for Economic Resilience / Dushyigikire Ubucuruzi, Twubake Ubukungu Buhamyé”**. This was the right time for RRA to tell taxpayers that their business success matters in achieving national economic resilience. It was also time to tell the public that we need to work together to support and boost the economy of our country.

During the celebration, RRA carried out several activities which included:

- National tax dialogue and official launching ceremony of the taxpayers' appreciation day that took place at **Kigali Serena Hotel** on 4<sup>th</sup> November, 2020 and hosted by the Honourable Minister of Finance and Economic Planning.
  - **Five visits** at taxpayers' workplace lead by the RRA Commissioner General and Deputy Commissioner General.
  - Supply of the Iron sheets to Ngororero district' residents affected by disasters as part of RRA's social responsibility.
  - The Quiz for High School Students on taxation held on Radio Rwanda. The winning students were awarded.
  - The taxpayers' appreciation day celebrated in all provinces countrywide.
  - Appreciation of best taxpayers: RRA selected best taxpayers countrywide and appreciated them at provincial and national celebrations of taxpayers' appreciation day.
  - Celebration of taxpayers' appreciation day at the national level held at **Kigali Convention Center** on 20<sup>th</sup> November 2020. The Guest of Honour was the Prime Minister Dr. Edouard Ngirente and the event was mainly marked by speeches, presentations, documentary on tax performance and appreciation of best taxpayers at national level.
- j) RRA continued to publicise relevant information to its stakeholders through different communication channels including booklets and leaflets, radio talk shows on Radio Rwanda, Radio10, Isango Star and Flash FM, online media like igihe.com and new times.co.rw, RRA web live chat and e-suggestion box, print newspapers like The New Times. Social media platforms like twitter, face book, Instagram and YouTube were also used to inform taxpayers and the general public on different RRA programs and services and to acquire customer feedback.
- k) RRA updated its website with the aim of making its operations widely accessible and continued to operate its call centre on the 3004 toll-free number to help adequately handle taxpayers' queries. Besides, telephone enquiry calls received by the RRA call centre were

answered within acceptable time standards. As shown in **Table 16** below, **95.7%** of telephone enquiry calls received were answered within 6 minutes' waiting time. Data does not, however, take account of the impact on taxpayers of line overload. The call centre system can accommodate a maximum of 6 callers at a time, meaning that during peak enquiry periods some taxpayers may not be able to get through to the call centre.

*Table 16: Telephone Enquiry Call Waiting Time in 2020/21*

Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time <sup>6</sup>	
		Number	In percent of total calls
July 2020	3,076	2,922	95.0%
August 2020	2,791	2,635	94.4%
September 2020	3,755	3,614	96.2%
October 2020	2,673	2,563	95.9%
November 2020	2,732	2,609	95.5%
December 2020	3,039	2,889	95.1%
January 2021	1,895	1,831	96.6%
February 2021	2,117	2,033	96.0%
March 2021	3,042	2,927	96.2%
April 2021	1,784	1,680	94.2%
May 2021	1,943	1,898	97.7%
June 2021	2,583	2,486	96.2%
<b>12 months-Total</b>	<b>31,430</b>	<b>30,087</b>	<b>95.7%</b>

*Source: RRA, 2021*

### **III.8 DISPUTE RESOLUTION**

Taxpayer disputes were resolved in a timely manner through RRA's appeal and amicable settlement committees. Alternative court litigation was required when taxpayers were not content with the results.

During 2020/21 fiscal year, RRA had **834** pending appeal cases (of which 66 were received in 2019/20 fiscal year); this is an increase of **11.6%** compared to **747** pending appeal cases in 2019/20. Of the **834** pending appeals in 2020/21, **527** cases were completed and their appeal decisions established (of which 48 were received in FY 2019/20 and 479 in 2020/21), **79** were rejected, while **228** were carried forward into FY 2021/22.

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<sup>6</sup> TADAT assessments apply a time-based standard of six minutes for telephone responses.



The finalised appeals cases had the reassessed tax liability reduced by the appeal committee from Frw 112.3 billion to Frw 107.9 billion, representing Frw 4.4 billion or **3.9%** reduction. Also, the additional VAT refund and/or Tax credit allowed by the appeals committee is Frw **1.7 billion** compared to **Frw 7.1 billion** initially approved by tax auditors.

During the 2020/21 fiscal year, there were **203** new requests received for amicable settlement (of which 78 cases on fictitious VAT input claims). This is a year-on-year increase of **59.8%** from the 127 requests received in 2019/20. There were also **65** requests for amicable settlement cases brought forward from 2018/19 fiscal year, and in total there were **268** pending cases in 2020/21, out of which **56** were completed, **94** (with a tax liability value of Frw 12.5 billion) were rejected after analysis and **118** were carried forward into 2020/21 of which 58 cases on fictitious VAT input claims. The amicable settlements had the tax liability reduced from Frw 20.18 billion to Frw 15.95 billion, representing **21%** reduction.

Regarding time taken to resolve tax appeals and amicable settlement, **11.8%** of disputes were resolved within good international practice standard of 30 days<sup>7</sup>, most of disputes (**72.6%**) were finalised over 30 days but within 60 days, **2.8%** of disputes which are all under amicable settlement category were resolved over 60 days and within 90 days, while **12.8%** 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 17** shows time that was taken to finalise disputes in 2020/21 fiscal year.

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<sup>7</sup> This is based on the TADAT guidelines

*Table 17: Time taken to resolve disputes (tax appeals and amicable settlement) in 2020/21*

Month	Total number finalised	Finalised within 30 days		Finalised over 30 days and within 60 days		Finalised over 60 days and within 90 days		Finalised over 90 days	
		Number	In percent of total	Number	In percent of total	Number	In percent of total	Number	In percent of total
Jul-20	37	9	24.3%	21	56.8%	0	0.0%	7	18.9%
Aug-20	59	2	3.4%	43	72.9%	3	5.1%	11	18.6%
Sep-20	55	13	23.6%	38	69.1%	1	1.8%	3	5.5%
Oct-20	91	13	14.3%	63	69.2%	0	0.0%	15	16.5%
Nov-20	79	12	15.2%	54	68.4%	6	7.6%	7	8.9%
Dec-20	58	12	20.7%	39	67.2%	2	3.4%	5	8.6%
Jan-21	54	2	3.7%	52	96.3%	0	0.0%	0	0.0%
Feb-21	50	4	8.0%	45	90.0%	0	0.0%	1	2.0%
Mar-21	86	8	9.3%	54	62.8%	0	0.0%	24	27.9%
Apr-21	42	3	7.1%	34	81.0%	1	2.4%	4	9.5%
May-21	64	3	4.7%	51	79.7%	1	1.6%	9	14.1%
Jun-21	81	8	9.9%	55	67.9%	7	8.6%	11	13.6%
<b>12 months</b>	<b>756</b>	<b>89</b>	<b>11.8%</b>	<b>549</b>	<b>72.6%</b>	<b>21</b>	<b>2.8%</b>	<b>97</b>	<b>12.8%</b>

*Source: RRA, 2021*

Regarding cases resolved by Courts, 96 cases were heard in the Courts of Law – a year-on-year increase of 41.2% compared to 2019/20 fiscal year, of which 67 cases were ruled in favour of RRA, 27 cases ruled in favour of the taxpayers, while 2 cases were concluded amicably.

Of all 94 cases ruled either in favour of RRA or in favour of the plaintiffs, **71.3%** were won by RRA compared to **83.3%** recorded in 2019/20, while **28.7%** were ruled in favour of the taxpayers compared to **16.7%** that was recorded in 2019/20. The following three main reasons explain this under performance compared to target:

**a) VAT charged on rice**

Various courts decided against RRA on VAT charged to processed rice. This is due to interpretation of the Article 6 paragraph 13° of the law n°37/2012 of 09/11/2012 establishing the value added tax whereas provided that all agricultural and livestock products, except processed ones, are exempted from value added. Different courts interpreted the above article that rice is not considered as processed goods thus VAT cannot be applied on it, contrary to the RRA's interpretation.

***b) Customs Offence Affidavit***

Section 219 and 220 of the East African Community Customs Management Act, 2004 provides that when an offence has been committed unless the person admits in a prescribed form that he or she has committed the offence and requests the Commissioner of Customs to deal with such offence. The Commissioner may, where he or she is satisfied that any person has committed an offence under this Act in respect of which a fine is provided or in respect of which anything is liable to forfeiture, compound the offence and may order such person to pay a sum of money, not exceeding the amount of the fine to which the person would have been liable if he or she had been prosecuted and convicted for the offence, as the Commissioner may deem fit;

RRA has lost a large number of cases from customs not prosecuted whereas customs department has issued affidavit thereafter enforce them without out Court Order as prescribed by the section above. Given that many taxpayers involved in smuggling in question do not accept the offences, the way forward is to prosecute them if we have credible evidences.

***c) Caveats placed on the assets of the Company's shareholders***

Article 67 paragraph 2 of Law N° 026/2019 of 18/09/2019 on tax procedures provides that, shareholders who are involved in the management of the company or misuse company's funds are also liable for any tax liability if wilfully or by negligence, they caused the company's inability to meet its tax obligations. The competent court determines the liability of the directors and the shareholders referred to in Paragraphs One and 2 of this Article.

RRA has lost some cases lodged by company's shareholder whereas RRA has put caveat on the assets of the shareholder of the company that owes arrears to RRA. The Court has rules in favor of the taxpayer due to caveat that RRA has putted on their assets in recovering of the debts that the company owes to the State are contrary to the Law above mentioned.

### ***III.9 REVIEWING AND DRAFTING OF LEGAL INSTRUMENTS AND PROVIDING LEGAL ADVICE***

During the 2020/21 fiscal year, RRA continued to provide advice on tax issues as mandated. In this regard, RRA actively participated in:

- a) Drafting Presidential Order governing Rwanda Revenue Authority;
- b) Drafting amendment for Prime Minister Order on decentralized tax law;
- c) Providing legal opinion on the draft law governing surety, seizure and execution of enforcement orders;
- d) Drafting of revision of Value Added Tax;
- e) Reviewing Law n° 016/2018 of 13/4/2018 establishing taxes on income;
- f) Reviewing Commissioner General's Instruction on issuance of Tax Clearance Certificate (Quitux Fiscal);
- g) Reviewing Ministerial Instruction on Partnership between RRA and Decentralized Entities;

Moreover, the following public ruling and practice notes were prepared and published or disseminated during the 2020/21 fiscal year:

- 1) Public Ruling on VAT inputs allowable on local purchases.
- 2) Practice note on articles 78 and 79 of the Law no 016/2019 of 18/09/2019 on Tax Procedures.
- 3) Practice note on disbursement or debours.
- 4) Practice notes both on article 47 and 51 (2) of Law n° 75/2018 of 7/9/2018 determining the sources of revenue and property of decentralized entities.
- 5) Practice note on Art. 42 of Law n° 026/2019 of 18/09/2019 on Tax Procedure
- 6) Practice note on article 13 of Law no 016/2018 of 13/4/2021 establishing taxes on income
- 7) Practice note on article 77 of Law n° 026/2019 of 18/9/2019 on Tax Procedure.
- 8) Practice notes on credit note.

## IV. REPORT ON OTHER MAIN RRA KEY PERFORMANCE INDICATORS

In addition to the revenue performance report and administrative measures that contributed to the recorded revenue target achievement, the following section presents a summary report on other RRA key performance indicators. These key performance indicators define the measurement of some important and useful information about RRA performance and enable the organization to identify areas requiring particular attention.

### IV.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.

Changes in the tax-to-GDP ratio are driven by the relative changes in nominal tax revenues and in nominal GDP. From one year to another, if tax revenues rise more than GDP (or fall less than GDP) the tax-to-GDP ratio will increase. Conversely, if tax revenues rise less than GDP, or fall further, the tax-to-GDP ratio will go down. **Table 18** below shows a five-year trend of Tax to GDP ratio in Rwanda.

*Table 18: Trend of tax to GDP ratio in Rwanda in billions of Frw (2015/16 – 2020/21)*

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

*Source: NISR and RRA, 2021*

Tax to GDP ratio decreased from **15.6%** in 2015/16 to **15.2%** in 2016/17 mainly due to the policy decision on worn clothing which negatively affected tax collections and it increased to **15.4%** and **16.1%** in 2017/18 and 2018/19 respectively due to administrative measures that improved the tax revenue collection. It decreased once again to **15.9%** in 2019/20 from 16.1% in 2018/19 and remained stagnant in 2020/21 mainly due to COVID-19 pandemic and associated mitigation measures that had a large impact on economic activity from April 2020; this has had a significant negative bearing on numerous tax heads.

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<sup>8</sup> This excludes local government tax revenue collection

Different reforms geared towards broadening the tax base and increasing revenue mobilization are being undertaken by RRA. However, despite the recorded growth in revenue collections, Rwanda's tax to GDP ratio is still below the 18% Sub-Saharan average. Since it is often not advisable to increase tax rates, additional revenue can mainly originate from two sources: broadening the tax base or further improvements in collection efficiency.

#### ***IV.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 has increased progressively from **48.7%** in 2014/15 to **58.3%** in 2017/18. However, it decreased to **54.1%**, **49.5%** and **47.2%** in 2018/19, 2019/20 and 2020/21 fiscal years respectively as presented in the **Table 19** below.

***Table 19: Percentage contribution of tax revenue to national budget in billions of Frw (2015/16-2020/21)***

<b>Fiscal year</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Tax revenue (billion Frw) <sup>9</sup>	986.7	1,086.5	1,234.1	1,399.5	1,494.8	1,635.8
Budget (billion Frw)	1,808.8	1,954.2	2,115.4	2,585.2	3,017.1	3,464.8
<b>Tax as % of Budget</b>	<b>54.5%</b>	<b>55.6%</b>	<b>58.3%</b>	<b>54.1%</b>	<b>49.5%</b>	<b>47.2%</b>

*Source: MINECOFIN and RRA, 2021*

Main reasons for the above decreases in 2018/19, 2019/20 and 2020/21 fiscal years include the following:

- a) In 2018/19 fiscal year, outlays under Net Lending increased by 22.7%, from Frw 160.0 billion in 2017/18 to Frw 196.3 billion in 2018/19. This was mainly due 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.
- b) In 2019/20, the health emergency resulting from the corona virus pandemic necessitated some emergency spending. The total COVID-19 related expenditure amounts **Frw 109.1 billion**. These can be classified in six broad categories.

<sup>9</sup> This excludes local government tax revenue collection

- i. *Health related spending: represented in total Frw 25.8 billion.*
  - ii. *Social Protection and Agriculture related expenditure: totalled Frw 59.3 billion.*
  - iii. *Education: Frw 745 million to support activities related to evacuation of students from schools including boarding schools all over the country at the beginning of the COVID-19 outbreak.*
  - iv. *Private sector/Trade facilitation: totalling Frw 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.*
  - v. *Infrastructure: Frw 500 million for water supply and sanitation facilities.*
  - vi. *Support to State-owned enterprises: Frw 12 billion as additional support to Rwandair as the company was not generating revenue from transport of passengers.*
- c) 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 Frw **366.4 billion** for the period July 2020 to June 2021. These can be classified in four broad categories:
- i. *Health related spending: represented in total Frw 50 billion, these include direct health spending such as acquisition of health commodities and equipment and operational costs of quarantine centers.*
  - ii. *Social Protection and Agriculture related expenditure: totalled Frw 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.*
  - iii. *Private sector/Trade facilitation: totalling Frw 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.*
  - iv. *Education: Frw 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.*

It is also important to note that COVID-19 pandemic and associated mitigation measures had a large impact on economic activity, hence negatively affected revenue collections and percentage share of tax revenue to total national budget during 2019/20 and 2020/21 fiscal years.

### IV.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).

#### IV.3.1 On-time returns filing ratios for VAT and PAYE

The average on-time returns filing ratios for **large taxpayers** during 2020/21 fiscal year were 97.5% for VAT and 96.9% for PAYE, while **medium taxpayers** registered an average on-time returns filing ratios of 96.3% for VAT and 93.6% for PAYE. On the other hand, VAT and PAYE average on-time returns filing ratios for **small taxpayers** in 2020/21 fiscal year were 85.9% for VAT and 75.3% for PAYE. The **Table 20** below indicates the on time returns filing ratios for VAT and PAYE during 2020/21 fiscal year.

*Table 20: On time returns filing rates for VAT and PAYE in FY 2020/21*

Taxpayer segment	Large taxpayers		Medium taxpayers		Small taxpayers	
Tax Head	VAT	PAYE	VAT	PAYE	VAT	PAYE
Jul-20	97.8%	97.0%	97.0%	93.9%	87.2%	74.8%
Aug-20	96.1%	97.0%	96.7%	94.0%	83.1%	74.9%
Sep-20	98.2%	96.7%	97.0%	93.7%	86.7%	74.9%
Oct-20	98.2%	97.3%	96.8%	93.5%	87.9%	75.4%
Nov-20	96.8%	95.9%	96.7%	94.1%	82.7%	75.3%
Dec-20	98.2%	96.7%	95.7%	93.2%	86.7%	74.3%
Jan-21	97.8%	96.4%	95.4%	93.3%	87.0%	74.9%
Feb-21	96.5%	97.2%	95.8%	92.8%	81.8%	75.1%
Mar-21	97.8%	97.2%	95.9%	92.8%	86.9%	75.2%
Apr-21	96.8%	97.5%	95.9%	94.1%	89.9%	76.9%
May-21	97.5%	96.7%	96.1%	93.8%	81.3%	75.1%
Jun-21	98.2%	97.0%	96.2%	94.2%	89.5%	76.2%
Average	97.5%	96.9%	96.3%	93.6%	85.9%	75.3%

Source: RRA, 2021



As shown in **Table 20** above, the monthly on-time VAT filing rates for small taxpayers fluctuated over time reaching highest and lowest compliance level of 89.9% and 81.3% respectively. Also, the monthly on-time PAYE filing rates for small taxpayers fluctuated, recording the lowest rate of 74.3% and highest rate of 76.9%. Small taxpayers recorded highest number of non-filed PAYE declarations; thus, more efforts are needed to raise compliance of PAYE for small taxpayers.

#### IV.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. On-time income tax filing ratios for 2020 financial year were 99.3% for **large taxpayers**, 91.1% for **medium taxpayers**, 55.3% for **small taxpayers** and the average of on-time income tax filing ratio for all taxpayer segments was **55.5%** as illustrated in **Table 21** below.

*Table 21: On time returns filing ratios for income tax (CIT & PIT) for 2020 tax period*

<b>Taxpayer segment</b>	<b>Number of expected declarations</b>	<b>Number of on time declarations</b>	<b>On-time filing ratio</b>
LARGE	280	278	<b>99.3%</b>
MEDIUM	721	657	<b>91.1%</b>
SMALL	196,917	108,988	<b>55.3%</b>
<b>TOTAL</b>	197,918	109,923	<b>55.5%</b>

*Source: RRA, 2021*

**Table 21** above shows that large taxpayers recorded highest level of compliance for CIT-PIT filing with on time filing rate of 99.2%, late filers were two (2) and no non-filers. Small taxpayers recorded lowest on-time filing rate of 55.3%. Non-filers for small taxpayers were 86,703 taxpayers out of 196,917 taxpayers expected to declare equivalent to 44.0%. Thus, more efforts needed to reduce the number of non-filers for small taxpayers.

#### IV3.3 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 22** shows the electronic filing status in four past fiscal years.

*Table 22: Use of electronic filing (In percent of all declarations filled for each tax type)*

Tax types	FY 2017/18	FY 2018 /19	FY 2019/20	FY 2020/21
	In percent of all declarations	In percent of all declarations	In percent of all declarations	In percent of all declarations
EXCISE	100.0%	97.8%	100.0%	100.0%
CIT	96.6%	99.8%	100.0%	99.0%
PAYE	99.9%	100.0%	100.0%	100.0%
PIT	83.3%	97.1%	100.0%	97.4%
VAT	99.8%	99.9%	99.9%	97.3%
LARGE TAXPAYERS ONLY (ALL CORE TAXES)	100.0%	100.0%	100.0%	96.0%

*Source: RRA, 2021*

The respective e-filing rates exceeded 95% for most tax types and reached 100% for PAYE and Excise. However, the e-filing rate for large taxpayer segment across all core taxes is relatively low (96.0%) compared to other taxpayers ‘segments. The e-filing rates under 100% were due to direct intervention of RRA staff to support some taxpayers who encountered difficulties during the declaration process. 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).

#### ***IV.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.

##### **IV.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.

In 2020/21 fiscal year, the on-time tax payment ratios for **large taxpayers** were 98.1% for income tax (CIT & PIT), 95.7% for VAT and 90.2% for PAYE. The average of on-time tax payment ratio for **large taxpayers** was **93.3%**.

**Medium taxpayers** registered on-time tax payment ratios of 83.8% for income tax, 87.0% for VAT and 96.3% for PAYE. The average of on-time tax payment ratio for **medium taxpayers** was **92.4%**.

Income tax, VAT and PAYE on-time tax payment ratios for **small taxpayers** were 34.7%, 82.0% and 89.8% respectively and the average was **81.8%**.

The average on-time tax payment ratio for all taxpayer segments were **66.7%** for **income tax**, **90.5%** for **VAT** and **90.7%** for **PAYE**, while the average on-time tax payment ratio for all taxpayer segments and all tax heads was **88.8%**.

On-time tax payment ratios by tax head and taxpayer segment are shown in **Table 23**.

*Table 23: On-time tax payment ratios by tax heads and taxpayer segments*

Tax head	CIT & PIT				VAT				PAYE				TOTAL TAX HEADS
Taxpayer segment	Large	Medium	Small	Total	Large	Medium	Small	Total	Large	Medium	Small	Total	All taxpayer segments
Tax declared on-time (billion Frw)	27.0	3.7	28.5	59.2	194.3	25.3	106.8	326.4	189.1	43.7	163.4	396.2	781.8
Tax paid on-time (billion Frw)	26.5	3.1	9.9	39.5	185.9	22	87.6	295.5	170.6	42.1	146.7	359.4	694.4
On-time payment ratios	98.1%	83.8%	34.7%	66.7%	95.7%	87.0%	82.0%	90.5%	90.2%	96.3%	89.8%	90.7%	88.8%

Source: RRA, 2021

As illustrated in Table 20 above, CIT&PIT recorded the lowest average on time payment ratio of **66.7%**, this was mainly because of low compliance for small taxpayers. For CIT&PIT, small taxpayers declared Frw 28.5 billion of which Frw 9.9 billion was paid on time equivalent to 34.7%. Medium taxpayers recorded the highest on time payment ratio of 96.3% for PAYE compared to 90.2% for large taxpayers and 89.8% for small taxpayers.

#### IV.4.2 Use of electronic payment methods

This indicator shows tax payments made electronically during a given period as percentage of total tax payments made during the same period. It examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. **Table 24** shows status on the use of electronic payments for 2019/20 fiscal year.

*Table 24: Use of Electronic Payments for 2020/21 fiscal year*

Taxpayers' segments and tax types		In percent of total value of payments received for each tax type	
		FY 2019/20	FY 2020/21
All taxpayers' segments	CIT	62.1%	<b>60.3%</b>
	PIT	50.8%	<b>60.1%</b>
	PAYE	56.7%	<b>54.0%</b>
	VAT	59.0%	<b>68.2%</b>
	EXCISE TAX	81.4%	<b>61.6%</b>
Large taxpayers only	CIT	66.8%	<b>61.8%</b>
	PIT	94.6%	<b>98.9%</b>
	PAYE	60.7%	<b>54.7%</b>
	VAT	63.0%	<b>73.0%</b>
	EXCISE TAX	81.7%	<b>59.2%</b>

*Source: RRA, 2021*

During 2020/21, the electronic payment rates for all taxpayers' segments were 68.2%, 61.6%, 60.3%, 60.1% and 54.0% for VAT, Excise tax, CIT, PIT and PAYE respectively. Compared to the last fiscal year, a slight improvement was registered for few tax types (PIT and VAT), while improvement is still needed for CIT, PAYE and Excise tax which registered a decrease in the electronic payment rate. The electronic payment rates for large taxpayers are low relative to international good practice standards (100%).

#### IV.5 VALUE OF TOTAL TAX ARREARS AS A PERCENTAGE OF TOTAL TAX REVENUE COLLECTIONS

This indicator assesses the relative performance of tax administration in tax debt recovery.

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

**Table 25** below shows the value of total tax arrears as percentage of total tax revenue collections in 2020/21.

*Table 25: Value of total tax arrears as a percentage of total tax revenue collections in 2020/21*

Tax Office	Value of total tax arrears (Stock) as of 30 June 2021 (Billion of Frw)	Total tax revenue collection 2020/21 (Billion of Frw)	Value of total tax arrears as a percentage of total tax revenue collections in 2020/21	Status 2019/20
LTO	91.4	731.1	12.5%	12.1%
SMTO & Provinces	393.7	432.8	91.0%	54.7%
<b>Total DTD</b>	<b>485.1</b>	<b>1,163.9</b>	<b>41.7%</b>	<b>27.4%</b>
Customs	71.0	471.9	15.0%	7.1%
<b>Total RRA</b>	<b>556.1</b>	<b>1,635.8</b>	<b>34.0%</b>	<b>21.7%</b>

*Source: RRA, 2021*

During the FY 2020/21, the ratio of total tax arrears to total tax revenue was **34.0%** vs 21.7% in previous fiscal year. This ratio is **very high** in comparison to the **10%** ratio of international good practice.

At the end of 2020/21, total stock of tax arrears (domestic and customs tax arrears) amounted to Frw 556.1 billion (of which 26.4% were owed by public institutions). This represents a year-on-year growth of 44.5% from the Frw 384.9 billion total stock of arrears at the end of 2019/20. This significant jump in debt was mainly due to increase of customs arrears owed by public institutions/projects from Frw 25.2 billion at the end of 2019/20 to Frw 66.0 billion at the end of 2020/2021. In addition, there is one case under small and medium taxpayers' office that recorded a high amount of domestic tax arrears (Frw 142.0 billion) in 2020/21, accounting for 25.5% of total tax arrears as of end June 2021.

It is also important to note that, of the total tax arrears, Frw 8.5 billion representing 1.5% were categorised under irrecoverable arrears.

More efforts in reducing the stock of tax arrears are needed. This will require a number of actions including close monitoring by DTD and CSD to ensure rapid response to new debts; further engagement with MINECOFIN and concerned public institutions in recovery of tax arrears owed by public institutions; special focus on audit-raised debts; writing-off uncollectible amounts and further enhancement of automation of the debt collection function.

#### **IV.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. **Table 26** below shows the status as of end June 2021.

*Table 26: EBM acquisition ratio as of end June 2021*

Total # of VAT registered taxpayers	# of VAT registered taxpayers exempted from having EBM <sup>10</sup>	# of VAT registered taxpayers that should have EBM (Expected)	# of taxpayers having EBM	EBM acquisition ratio
33,535	12	33,523	32,848	98.0%

*Source: RRA, 2021*

As indicated in **Table 26** above, the EBM acquisition ratio is **98.0%** meaning that there are still some VAT registered taxpayers (675; equivalent to 2.0%) who are VAT registered without EBMs yet they are supposed to have them. This category includes taxpayers who registered businesses but have not yet started operations; they are nil-filers or non-filers. The EBM acquisition ratio for the previous fiscal year was **95.3%**.

**Table 27** below presents a summary of Key Performance Indicators status for the three previous fiscal years.

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<sup>10</sup> This category includes taxpayers in banking sector that RRA is working on to find a suitable solution to integrate with their systems

**Table 27: A summary of RRA Key Performance Indicators status from 2018/19 to 2020/21 fiscal years**

<b>Performance Indicators</b>	<b>Status FY 2018/19</b>	<b>Status FY 2019/20</b>	<b>Status FY 2020/21</b>
1. Tax revenue as percentage of GDP.	Excluding LGT: <b>16.1%</b>	Excluding LGT: <b>15.9%</b>	Excluding LGT: <b>15.9%</b>
	Including LGT: <b>16.5%</b>	Including LGT: <b>16.2%</b>	Including LGT: <b>16.3%</b>
2. Tax revenue (excl. LG taxes) as percentage of national budget.	<b>54.1%</b>	<b>49.5%</b>	<b>47.2%</b>
3. VAT collections as a percentage of total tax collections.	<b>32.8%</b>	<b>32.9%</b>	<b>32.5%</b>
4. % change in the net total number of taxpayers in RRA tax register.	<b>12.1%</b>	<b>18.3%</b>	<b>27.3%</b>
5. Proportion of newly registered taxpayers to net total number of taxpayers in RRA tax register.	<b>10.9%</b>	<b>16.4%</b>	<b>22.7%</b>
6. Proportion of telephone enquiry calls answered within 6 minutes' waiting time to total number of telephone enquiry calls received.	<b>98.7%</b>	<b>99.6%</b>	<b>95.7%</b>
7. On time filing rate (CIT/PIT, VAT, PAYE)	CIT/PIT: <b>75.7%</b>	CIT/PIT: <b>61.4%</b>	CIT/PIT: <b>55.5%</b>
	VAT: <b>93.6%</b>	VAT: <b>92.2%</b>	VAT: <b>93.2%</b>
	PAYE: <b>88.1%</b>	PAYE: <b>87.6%</b>	PAYE: <b>88.6%</b>
8. Electronic returns filing rate	<b>100%</b>	<b>100%</b>	<b>98.7%</b>
9. Value of tax payments made by the statutory due date in percent of the value of payments declared by due date.	CIT/PIT: <b>94.8%</b>	CIT/PIT: <b>79.0%</b>	CIT/PIT: <b>66.7%</b>
	VAT: <b>92.5%</b>	VAT: <b>98.9%</b>	VAT: <b>90.5%</b>
	PAYE: <b>89.9%</b>	PAYE: <b>96.8%</b>	PAYE: <b>90.7%</b>
10. Tax payments made electronically as percentage of total tax payments made (electronic tax payments rate).		CIT: <b>62.1%</b>	CIT: <b>60.3%</b>
		PIT: <b>50.8%</b>	PIT: <b>60.1%</b>
		PAYE: <b>56.7%</b>	PAYE: <b>54.0%</b>
		VAT: <b>59.0%</b>	VAT: <b>68.2%</b>
		EXCISE TAX: <b>81.4%</b>	EXCISE TAX: <b>61.6%</b>
11. Value of total tax arrears as a percentage of total tax revenue collections.	DTD: <b>27.5%</b>	DTD: <b>27.4%</b>	DTD: <b>41.8%</b>
	CSD: <b>9.4%</b>	CSD: <b>7.1%</b>	CSD: <b>15.0%</b>
	Total: <b>21.9%</b>	Total: <b>21.7%</b>	Total: <b>34.0%</b>
12. Tax arrears more than 12 months old as a percentage of the value of all tax arrears.	DTD: <b>82.0%</b>	DTD: <b>56.5%</b>	DTD: <b>58.8%</b>
	CSD: <b>-</b>	CSD: <b>-</b>	CSD: <b>59.1%</b>
	Total: <b>-</b>	Total: <b>-</b>	Total: <b>58.9%</b>
13. Amount collected from tax arrears as percentage of available debts to collect.	LTO: <b>25.6%</b>	LTO: <b>19.0%</b>	LTO: <b>10.3%</b>
	SMT0 & Regions: <b>17.0%</b>	SMT0 & Regions: <b>14.5%</b>	SMT0 & Regions: <b>9.0%</b>
	CSD: <b>52.7%</b>	CSD: <b>48.5%</b>	CSD: <b>21.1%</b>
	Total: <b>28.4%</b>	Total: <b>19.9%</b>	Total: <b>10.9%</b>
14. 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.	<b>83.1 %</b>	<b>83.3%</b>	<b>71.3%</b>
15. Number of importers benefiting from fast track and facilitation schemes (Gold card scheme and AEO program).	<b>15,609</b>	<b>13,941</b>	<b>13,740</b>

16. Number of VAT registered taxpayers having an electronic invoicing system certified by the Tax administration as percentage of total VAT registered taxpayers.	<b>87.4%</b>	<b>85.4%</b>	<b>98.0%</b>
17. Staff turnover rate (only staff who left the institution voluntarily e.g., leave of absence and resignation).	<b>1.4%</b>	<b>1.4%</b>	<b>0.96%</b>
18. Percentage of fully implemented audit recommendations that are at least 12 months old.	AG: <b>43.8%</b>	AG: <b>61.7%</b>	AG: <b>61.4%</b>
	IA: <b>52.4%</b>	IA: <b>51.1%</b>	IA: <b>49.8%</b>
	QMS: <b>80.2%</b>	QMS: <b>64.1%</b>	QMS: <b>61.4%</b>
	Total: <b>56.1%</b>	Total: <b>55.3%</b>	Total: <b>56.2%</b>
19. Percentage of RRA annual budget execution.	<b>97.4%</b>	<b>112.8%</b>	<b>90.2%</b>
20. Cost of collection ratio.	<b>2.6%</b>	<b>2.8%</b>	<b>2.6%</b>

*Source: RRA, 2021*

## **V. IMPLEMENTATION PROGRESS REPORT ON THE RRA MAIN PROJECTS**

During the 2020/21 fiscal year, RRA continued to implement various projects aimed at improving service delivery and enhancing revenue mobilization. Key modernization projects being implemented include the following:

### ***V.1 E-TAX ENHANCEMENT***

During 2020/21 fiscal year, the following key activities were carried out either as new systems integration with RRA key stakeholders or major change requests/enhancements to improve the E-Tax system for better and quicker service delivery:

- a) Systems integration between RRA and RURA: The RRA-RURA systems integration was completed, the two systems are able to synchronize so as to have same data for motor vehicles carrying on transport as licensed by RURA.
- b) Initiate the integration of debts management module in e-Tax system with Government payment system/IFMIS: The *debt* to *invoice* matching process through the IFMIS was developed and it's now ready for implementation in order to allow all Government entities to Garnish supplier invoices in the event that they have tax liabilities due from E-Tax.



- c) Develop CIT & PIT validation controls phase II: System development was completed and these validation controls are being implemented to prevent taxpayers from claiming income tax credits from previous period directly from the CIT or PIT real regime declarations. Also, completed and implemented system development for the validation control to detect and prevent taxpayers from exceeding the loss declared in the previous period within the statutory five years.
- d) Design validation controls at item level to minimize inappropriate VAT input claims: These validation controls add back VAT invoices that were cancelled through EBM as sales but other taxpayers already claimed those invoices as input VAT through E-Tax during VAT declarations submission. System development was successfully completed between EBM and E-Tax system and it's yielding good results in preventing VAT revenue losses resulting from inappropriate VAT input claims.
- e) Automate Non payer's reminder messages after filing due date: This was developed, tested and implemented and today taxpayer is notified via SMS all pending unpaid taxes including Doc ID which is used for payment.
- f) Automate reminder and warning letters: Business requirements were completed and the development of the system change is ongoing to accommodate the automated reminders and warning letters to directly send via e-mail and SMS without human intervention.
- g) Automate notice of assessment for non-payers: The business requirements were prepared and discussed with the system developers. This is work in progress and it's planned to be completed by December 2021.
- h) Pre-filling of PAYE unified declaration form with RSSB contributions: Business requirements were completed to integrate E-Tax and IPPIS, system controls were developed on the system for pre-population of PAYE, Pension, Medical, CBHI-0.5% and maternity leave scheme. This waits MIFOTRA to start training and awareness campaign for its own staff and HR managers as IPPIS system is owned by MIFOTRA and used by all HR managers across all Government entities in Rwanda.
- i) Other major e-tax enhancements were done on the following modules:

- i. Debt management module:* On line request of instalment plan contract, re-design of garnishment notices, improvements on existing and new system forms and letters used within the steps of debt management, validation controls during case creation for any duplicated periods on different cases.
- ii. Credit note module:* Improvements were made on the assessment date, payment date and effective date for better visibility to the credit note users, review of credit note reports, electronic signatures of Deputy Commissioners were added in the system, case tracking was improved and case cancellation was also improved.
- iii. Refund Module:* Reports were improved and some columns were added on the following reports (report on refund Payments, refund claim status report, refund processed report, privileged person refund claims, refund case allocation report), refund case tracking was enhanced to incorporate the; approval view, steps view, and attached document view, system was improved to enable privileged persons to get email of detailed rejected invoices, the refund module was enhanced to enable privileged persons automatically view the list of all banks and then select the bank where he or she has a bank account so that RRA can transfer to designated bank account.
- iv. Appeals module:* Incorporation of option to view and download appeal, amicable and waiver acknowledgement receipts after taxpayer request submission, label names change in Kinyarwanda on appeal, amicable and waiver case creation screens, reviewed the following existing appeal reports (online appeal & amicable request report, cases progress report, waiver cases processed report, cases from court status report and appeal processed report), improvements were made to allow the taxpayer fill out his/her email online and update the system, incorporation of electronic signature of the Commissioner for Legal and Board Secretariat in the system to ease approval process and avoid papers exchanging hands.
- v. Motor vehicles module:* Tested and implemented the electronic signatures on vehicle yellow card (carte jaune), online request with attachments for vehicle ownership transfers.

## ***V.2 ENHANCEMENT OF DATA WAREHOUSE, RISK MANAGEMENT AND BUSINESS INTELLIGENCE SYSTEM (DWH & BI)***

This project had two dependent phases, the implementation phase and one-year support service phase. The implementation phase had 10 milestones which almost were fully delivered apart from training of which the circumstances would not allow carrying out the physical training due to COVID-19 pandemic restrictions.

The current focus on support phase is under way to facilitate the smooth running of system and transitioning to full handover to the RRA team after capacity building. The progress of the project is broken down into the following milestones:

- a) Integration of E-TAX, EBM2, SAGE X3, LGT, Review of existing Customs modules and Other Systems enhancement and Documents:** The ODI and BI Configuration for the various reports reading from various source systems (LGT, EBM V-2, E-TAX, SAGE X3, and Single Window) were completed and integration done offsite and BI team facilitated by ITEC with provision of required support. Switching from SIGTAS to E-TAX for existing reports and dashboards completed and tested; business requirement document is composed of 198 reports, dashboards and KPIs.
- b) System configuration and Reports Development, Testing and Validation:** Testing activity was done on the existing BI reports, dashboards and risk rules that was previously reading data from SIGTAS as source system to check if all are currently reading from E-TAX all completed, testing and validation report shared to RRA.
- c) Conference room Testing (CRP):** CRP1 on all finished reports of all integrated systems was done and completed. Also, CRP2 was conducted to all reports that were requiring major changes and all completed.
- d) Training:** Online introductory training was provided to IT team on new changes of the system but exhaustive physical training is being planned to be conducted in the support period once COVID-19 is relaxed.

- e) **UAT (User acceptance testing):** UAT for all reports were conducted and completed. Duplicated reports were removed from previous Business requirements and the missing reports were added and validated.
- f) **Go live and Closure report:** Go live was successfully completed, go live report was produced and closing report was delivered.
- g) **Documentation:** finalized and submitted documents: Technical documents and data management strategy, go live report, BI data governance strategy, project implementation closure report and compiled business requirement.

### ***V.3 TAXPAYERS' ACCOUNTS RECONCILIATION AND UPDATE***

The project started in May 2019 and the following activities were performed during 2020/21 fiscal year:

#### **A. Cleaning of suspense account project**

At the beginning of the project, there were 126,197 transactions totalling to Frw 85,801,554,536, which were recorded in suspense accounts during the period 2008 to 2016. One of the tasks of the project was to identify the banks that paid this amount, the taxpayers who paid, tax type and the period. The project team is working on the following milestones regarding suspense account:

- 1) Matching transactions on suspense accounts in the system (SIGTAS) with bank statement, the exercise is still ongoing, out of Frw **85.8 billion** recorded in suspense account, the total amount equivalent to Frw **79.9 billion** has been traced (from Frw 77.9 billion as of end June 2020), and Frw **5.9 billion** untraced reflecting **93%** progress status for transaction matching (from 90.8% as of end June 2020).
- 2) Identifying the TIN, Taxpayer's names, tax type and tax period Transactions for Frw **56.9 billion** has been done out of Frw **79.8 billion** and allocated to respective taxpayers' accounts representing **71.3%** of total progress. This achievement has been recorded from July 2020 to June 2021.

- 3) Reversing identified transactions from suspense account and capture them in respective taxpayer account: Transactions for Frw **31.6 billion** out of **56.9 billion** have all been allocated to respective taxpayer accounts; this reflects **55.3%** of the total amount reversed after identification.
- 4) Capturing of VAT refund: Captured in e-tax refund payments of 2,980 transactions reflecting a total of Frw **48.9 billion** for medium taxpayers.
- 5) Opening balance separated transactions of opening balance of before 2008 and those of after 2008, reversed from SIGTAS, and captured in e-tax 1,350 transactions reflecting Frw **16.2 billion** of opening balance.

After the achievements registered on suspense account represented above, the continuity of the exercise is focusing on finalizing the following activities: matching transactions from SIGTAS with bank statement, identification of TIN, taxpayer name, tax type, tax period to help trace account in suspense, reversing transactions that were poorly recorded from suspense account, capturing transactions to proper tax account and working with different banks on unidentified transactions.

#### **B. Reconciliation and update of taxpayers' accounts for large and medium private companies:**

This project component is ongoing by collecting data in various archives of medium and large private companies to back up the reconciliation process. Out of **291** private large taxpayers, reconciliation for **125** institutions was completed representing **42%** implementation progress while reconciliations for **166** taxpayers is ongoing. The exercise is ongoing by collecting different documents to facilitate in reconciliation (audit result, decisions, and credit notes, proof of payment....) to finalize the reconciliation of outstanding institutions, capture all audit result (refund, comprehensives, issues...) not entered in the system, capture all decisions (appeal, amicable, court and minister decisions) not entered in the system and match payments and charges.

### **C. Reconciliation and update of taxpayers account for large and medium public institutions:**

Reconciliation of **15** public large taxpayers has been completed while reconciliation for 43 taxpayers is ongoing representing 25% progress of reconciliation for public institutions. The exercise is ongoing by collecting different payment orders helping in reconciliation, matching payment and charges and capturing or transferring payment not entered before or wrongly recorded.

As revealed by the project scoping study, matching, tracing and identification are major inputs for reconciliation thus a slow performance since the project work diverted from directly working on reconciliation to first handle the suspense account issues. Therefore, with the work on handling suspense account seem to be progressing the milestones were restructured to allow the flow of budget proportional to that of activities. The contract extended for another year until May 2022 to allow the completion of outstanding work. Both contract extension and milestone restructuring have no impact on scope nor the budget.

#### ***V.4 RRA'S NEW OPERATING MODEL (NOM)***

After the approval of RRA Future Operating Model document by the Board of Directors, including key recommendations and implementation plan, new RRA structure, new job classification standards, new grading system, new job categories and revised names, descriptions and specifications of RRA job positions, RRA has entered the phase of implementing the New Operating Model. To that effect the following has been made during 2020/21 fiscal year:

- a) The implementation of the new structure started with the appointment of Heads of Departments (Commissioners and some Assistant Commissioners).
- b) Modalities for the appointment and placement of RRA staff in the New Operating Model were established and communicated to all RRA staff.
- c) A project charter was established.
- d) A project team (composed of project steering committee, project technical team and subject matter experts) was set up to carry out all necessary activities for the smooth transition from the current operating model to the new one.

- e) New Operating Model Portal have been developed and deployed on production server and make it live and available to RRA employees and HR (Administrator) to enter staff information, job descriptions and monitor change logs.
- f) The system is publicly accessible by RRA employees.
- g) Meetings to communicate in details on these matters were organised and held.

The implementation of the RRA New Operating Model is still ongoing and will continue to be implemented in all transparency.

#### ***V.5 THE RWANDA ELECTRONIC SINGLE WINDOW (ReSW) PHASE II***

The current phase II of Rwanda Electronic Single Window was implemented to address the issue of existing of multiple transactional points and multiple application for one commodity whereby traders used many systems to process their imports and exports and this was creating duplication and inconsistency of required information, turnaround time monitoring issues and user support challenges. Below is a summary of key achievements made during 2020/21 fiscal year:

- a) **Development and implementation of the Advanced Passenger Information (API) modules:** The implementation of the IATA Manifest in the production environment went live on 4 November 2020 and about 9 Airlines have been successfully forwarding electronic manifests to the ReSW. This Improved paperless environment especially on air cargo. It also improved risk management as the customs officer at the airport gets advance information on cargo coming which facilitate the risk profiling and expedite the clearance process. The time release specifically for air cargo will be done to measure the performance.
- b) **Development and implementation of the Single Transaction Portal (Single sign-on):** The new version of the Single Transactional Portal that included corrected bugs and new changes like multi-language support for Kinyarwanda, English and French was successfully developed and training of user was conducted. Other Single Transactional Portal components related to partner government agencies (Rwanda Mines Board, RURA, NAEB and RICA) are still under development. So far, the completion rate is at **85%**.

- c) **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.
- d) **Development and implementation of the Authorized Economic Operators (Electronic modules):** The EAC Secretariat directed that the module for the Authorized Economic Operators should be developed at the community level and subsequently be integrated with all customs systems of Member States. The software requirement specifications in line with the regional standard operating procedure for AEO were developed and the module will be developed accordingly. The completion rate is at 15%.
- e) **Capacity building of the national team:** Training on the use of advanced programming concepts was successfully delivered, the local team has been trained to support UNCTAD in the development of the modules. Again, on-job training continues as the local team builds their capacity while they carry out different project tasks.

## ***V.6 AUTHORIZED ECONOMIC OPERATORS (AEO), PHASE II***

The introduction of the Authorized Economic Operators (AEO) aims to fundamentally change the relationship between businesses and the Customs Administrations by implementing preferential treatment to those businesses that are established to be compliant through a structured assessment of risk (accreditation). Depending on their sector of activities, the AEOs enjoy various benefits from; simplification of procedures and, or facilitation with regard to Customs controls related to security and safety.

The activities carried out during 2020/21 fiscal year include sensitization and awareness through various channels and conducting AEO national technical working group session.

Regarding sensitization and awareness, the following have been done:

- a) Produced and aired TV commercials, aired on RBA and TV1 for one month.
- b) Produced radio mentions that have been aired on Radio Rwanda, Isango Star, Flash FM and Radio 10 for 30 days (3 times/day).
- c) Produced and posted online banners at Igihe and The New Times for 90 days.



- d) Produced two news stories that have been published in The New Times and at Igihe.
- e) Designed a message for RRA staff that has been shared through the internal newsletter “Watsap RRA”.
- f) Produced digital content (for RRA social media platforms) on weekly basis for two months.
- g) Produced a pull up banner and displayed it at Kigali Airport.
- h) Produced 700 branded key holders and flash disk that have been distributed to potential AEO members.

Concerning the technical working group session, a one AEO national technical working group meeting was conducted and brought together RRA, other government regulatory agencies involved in cross border trade and AEOs representatives. In this meeting, participants discussed on AEO progress made, awareness, challenges and how to strengthen working relationships.

Due to COVID-19 pandemic, the main project activities such as the vetting of new authorized Economic Operators; the sensitization and awareness campaign through workshops targeting specific groups (e.g., customs officers at key borders and potential operators) and the capacity building of the project team were not implemented since they were requiring physical interactions and yet meetings and public gatherings were not allowed. These activities not executed were carried forward to 2021/22 fiscal year.

## ***V.7 INTEGRATION OF SAGE X3 WITH IFMIS***

The project is ongoing and the progress is being made on three key elements of project:

### **A. Scoping sessions**

- 1) 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.
- 2) Defined treatment of local government revenues both in Sage x3 and IFMIS systems and new control accounts were determined as required.

## **B. Harmonized chart of accounts**

Charts of accounts were reviewed, all differences were identified in charts of accounts in Sage and IFMIS, and how they will be harmonized.

## **C. Creation of new reports**

Identified all reports produced by RRA systems, which are required in IFMIS, new reports were defined and dashboards needed.

## **VI. ACHIEVEMENTS TOWARDS STRENGTHENING INTERNAL CAPACITY**

During 2020/21 fiscal year, a number of activities were performed by RRA in order to strengthen human resources management, internal control systems and staff skills capacity. Below are main highlights:

### ***VI.1 STRENGTHEN HUMAN RESOURCES MANAGEMENT***

RRA performed a number of activities that contributed to the development of staff capacity and achievement of efficiency in its service delivery and other set targets. These include:

#### **VI.1.1 TRAINING AND DEVELOPMENT**

During 2020/21 fiscal year, various tailor-made training and development programmes were implemented by RRA.

##### ***VI.1.1.1 Short training programs delivered***

RRA conducted **17** main training programs out of **23** that were planned; this makes a performance rate of **73.9%**. The attendance number was **2,201** out of the **2,866** that was initially planned. The number of attendees increased by **24.8%** compared to 2019/20 fiscal year.

The performance rate of 73.9% was due to measures to combat COVID-19 that brought significant disruptions to the implementation of the training plan, whereby many training sessions were adjourned and postponed and some out-sourced trainings could not occur due to travelling

restrictions. In addition, there were partial or full closures of some training venues (hotel restrictions).

To continue enabling and delivering planned trainings, RRA adopted the digital and virtual classes to support the staff workplaces learning. However, some practical courses could not be delivered in virtual classes. Strategies for the next year would be to see how those practical courses can be delivered using both option such as face to face, either virtually and/or online training (Blended Learning).

#### ***VI.1.1.2 Professional courses***

RRA employees continued to benefit from studying professional courses sponsored by the Government of Rwanda through the Ministry of Finance and Economic Planning as well as Rwanda Revenue Authority.

In 2020/21 fiscal year, **392** RRA employees were studying professional courses as follows: 29 RRA staff were learning the Association of Chartered Certified Accountants (ACCA) course, 288 staff studying the Certified Public Accountants (CPA) course, 65 staff learning the Certified Accountant Technicians (CAT) course, 10 studying Certified International Personnel Development (CIPD) online course.

In addition, during 2020/21 fiscal year, **54** RRA staff completed the following professional courses: ACCA: 9; CAT: 2; CIA:1 and CPA: 42,

#### ***VI.1.1.3 E-learning***

E-learning is a way of acquiring new, or reinforcing existing knowledge skills, using electronic technologies. Online learning methodology is certainly the more effective option for RRA staff as it added flexibility and self-paced learning to the staff and allows better time management.

During 2020/21 fiscal year, the RRA e-learning platform was operational with 3 main course categories (customs courses, domestic tax courses and management courses) having 18 modules that were uploaded on the platform. In total **323** RRA staff undertook online courses using the e-learning platform.

## **VI.1.2 OTHER KEY HUMAN RESOURCE MANAGEMENT INITIATIVES**

During 2020/21 fiscal year, other initiatives in the field of HR management and wellness were carried out. They include:

### ***VI.1.2.1 Conducted an assessment of office ergonomic for staff wellness***

Rwanda Revenue Authority hired a consultancy firm to conduct a comprehensive assessment of office ergonomics for staff wellness and maintain a health and safe working environment among the RRA employees.

Under the overall guidance of Human Resources Department, the consultant carried out the following activities:

- a) Designed a screening program for staff members. This includes completion of survey questionnaire which provides information about the health status of each staff member to determine whether they experience any muscular and skeletal related pains or not. The screening also assisted in identifying any signs and symptoms of potential muscular and skeletal related problems;
- b) Advised on the implementation of the medical recommendations already existing for some staff members who are required to use ergonomic chairs;
- c) Recommended strategies to address any other significant observations delivered from the assessment.

Report covering Screening of staff members, Inspection of workstations and identification of environmental hazards was produced, highlighting recommendations on each of these components. Training of staff in charge of health and safety and working environment was postponed to next fiscal year (2021/22) due to government measures to minimize the spread of COVID-19 pandemic.

### ***VI.1.2.2 Established and delivered counselling services to RRA staff***

During 2020/21, RRA hired a consultancy firm to provide counseling and therapeutic services to RRA employees. The overall objective of this initiative is to provide counselling and therapeutic services 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 2020/21 fiscal year include the following:

- a) Provided counseling services induction sessions and orientations to 12 participants
- b) Conducted psychosocial baseline assessment /survey where 260 responded to questionnaire survey
- c) Organized psychological problems and work stress awareness to 707 participants.
- d) Provided counselling services to individual/ and families (41 clients with 135 sessions in total).
- e) Provided couple counseling to 4 couples.
- f) Conducted training on basic counseling skills attended by 707 participants.
- g) Conducted training and awareness raising on psychological problem and work stress related to key line management staff, attended by 241 participants.
- h) Organised workshop for non-violence communication and positive parenting attended by 40 participants.
- i) Developed and shared 6 counselling materials.

#### ***VI.1.2.3 Staff recruitment and promotions***

During 2020/21, 22 new permanent employees were recruited by RRA in order to fill vacant positions within different departments, of which 15 employees (68.2%) were appointed in Domestic Tax, Customs Services and IT Departments.

At the end of the 2020/21 fiscal year, RRA had **1,251** permanent staff members compared to 1,275 at the end of 2019/20. Permanent staff members were supported by 146 police officers as well as 81 temporary staff supporting the EBM function and taxpayer account reconciliation and update activities.

Regarding staff promotion, 3 RRA employees were confirmed to higher grades (from grade 4 to 5) in order to fill vacant positions, this was done in accordance with the terms and conditions of RRA's internal processes and procedures for staff.

#### ***VI.1.2.4 RRA Senior Managers' appointments***

On 26<sup>th</sup> August 2020, the Cabinet appointed five (5) RRA senior managers as follows:

- Mr. Jean-Louis KALININGONDO, Deputy Commissioner General
- Ms. Hajara BATAMULIZA, Commissioner for Domestic Taxes
- Mr. Charles KAGAME, Deputy Commissioner for Revenue Investigation
- Mr. Jean Paulin UWITONZE, Deputy Commissioner for Taxpayer Services
- Mr. King Geoffrey NGABONZIMA, Deputy Commissioner for Risk Management.

In addition, on 11<sup>th</sup> November 2020, six (6) RRA senior managers were appointed by the Cabinet as follows:

- Mr. Felicien MWUMVANEZA, Commissioner for Customs Services
- Ms. Rosine UWAMALIYA, Commissioner for Internal Audit and Investigation
- Mr. Felix MAJYAMBERE, Commissioner for Legal Services and Board Affairs
- Ms. Innocente MURASI, Commissioner for Strategy and Risk Analysis
- Mr. Jean Pierre HITIMANA, Commissioner for Finance
- Ms. Louise KALISA INGABIRE, Commissioner for Technology and Digital Transformation.

#### ***VI.1.2.5 Staff integrity management***

Disciplinary investigations on 18 cases involving 19 employees were conducted and completed. All these 19 employees were sanctioned out of them 6 were dismissed (representing 31.6% of total sanctioned compared to 20% recorded in 2019/20 fiscal year), while 4 were acquitted. The 19 staff members' cases involved the following malpractices:

- a) 1 staff was accused of waiver of distress yet tax payer had tax arrears.
- b) 1 employee was accused of connivance with taxpayers to evade taxes.
- c) 2 were accused of deserting work.
- d) 1 was accused of issuing tax clearance yet the taxpayer had tax arrears
- e) 1 was accused of undervaluation.
- f) 13 were involved in the none respect of the administrative instructions

Out of the 19 employees summoned and investigated, 6 were dismissed compared to 10 dismissed in 2019/20, **two (2)** received suspension for one month without pay, 7 received different warnings (last, first and oral warnings) in addition to the 4 acquittals mentioned earlier.

## ***VI.2 STRENGTHEN INTERNAL CONTROL SYSTEMS***

During the 2020/21 fiscal year, 14 internal audit assignments were completed out of 16 that were planned, making an achievement of 87.5%. Two audit assignments were at draft level by end June 2021. In total, 79 audit recommendations were raised from the finalised internal audit assignments, of which 67 (84.8%) were rated at high risk, while 12 (15.2%) were rated at medium risk. All these recommendations were captured in the implementation plan for 2020/21 fiscal year.

The implementation of the internal, external and Quality Management System audit recommendations was reviewed on quarterly basis.

Out of **211 internal audit recommendations** that were issued in the last five fiscal years and were still open in 2020/21 fiscal year: 105 were fully implemented, representing **50%** of the total; 60 partially implemented, **28%** of the total; while 46 recommendations representing **22%** of the total had not been implemented by the end of 2020/21. Thus, 106 (50%) internal audit recommendations that are at least 12 months old remained open as at 30<sup>th</sup> June 2021.

Implementation of Auditor General's recommendations was also reviewed on a regular basis within concerned departments. Good progress has been made in implementing the Auditor General's recommendations. By end June 2021, out of **192 Auditor General's recommendations** that were still open at the beginning of 2020/21 fiscal year: 118 (**61%**) were fully implemented; 32 (**17%**) were partially implemented; and 42 (**22%**) had not been implemented by the end of the fiscal year. In total, open Auditor General's recommendations that are at least 12 months old were 74 as at 30<sup>th</sup> June 2021, representing 39%.

Worth mentioning noting is that in 2020/21 fiscal year the Auditor General 's Office conducted a performance audit of revenue collection for the period from July 2015 to March 2021, which raised **51** recommendations. These recommendations were not planned for implementation in 2020/21 fiscal year as the related report was released in May 2021 and will be tracked in 2021/22 fiscal year.

In order to continue the improvement of Quality Management System (QMS) to comply with ISO 9001:2015 standards, 9 QMS audits were completed out of 10 that were planned, the remaining one was in progress by end June 2021. Key QMS audit objectives were; verifying the effectiveness of department process and procedure, ascertaining whether departments comply with the requirements of ISO 9001:2015 standard, verifying conformance to documented processes and procedures and finally identifying opportunities for improvement and recommend actions.

The implementation of QMS audit recommendations was reviewed. Out of 70 corrective actions that were planned to be implemented, 43 (**61%**) were fully implemented, 6 (**9%**) were partially implemented, while 21 (**30%**) had not been implemented as of 30<sup>th</sup> June 2021. The total number of corrective actions that remained open by year's end (either partially or not implemented) was 27 (38.6%).

### ***VI.3 ENHANCEMENT OF RISK MANAGEMENT AND IMPLEMENTATION OF TAX COMPLIANCE IMPROVEMENT PLAN***

During 2020/21 fiscal year, the following key achievements were recorded in order to enhance risk management and implement the tax compliance improvement plan:

- a) The evaluation of risk mitigation strategies implementation status as of end June 2021 was done on risks recorded in departmental risk registers and corporate risk register. There were 270 risks in all risk registers including 1 identified, 143 open and 126 closed risks. The implementation of risk mitigation strategies was monitored and evaluated and reports were produced on quarterly basis. The final evaluation done by respective risk management committee meetings showed that implementation level of overall risk mitigation strategies was **77.5%** as of end June 2021 against a target of 75%.
- b) The tax compliance improvement plan for 2020/21 approved in June 2020 was implemented and implementation progress reports were produced on quarterly basis. The overall implementation status by the end fiscal year was **92.5%** against a target of 85%. The tax compliance improvement plan 2020/21 focused into two main aspects i.e., general and sector specific compliance interventions. The general compliance interventions were implemented at 80% (before evaluating the enforcement of tax arrears in SMTO and Regions whose data were not yet available). The specific compliance interventions focused on financial services



sector whose interventions were implemented at 97.5%, interventions on suppliers of hotels, bars and restaurants sector were implemented at 95%, compliance actions on research findings were implemented at 100%, compliance actions on importers implemented at 92.5%, while compliance actions on clearing agencies (customs brokers) were implemented at 90%.

- c) In addition, the sixth tax compliance improvement plan for 2021/22 was developed and approved by the RRA Executive Organ in its meeting held on 29<sup>th</sup> June 2021 for launch on 1<sup>st</sup> July 2021. The 2021/22 tax compliance priorities will be focused on the utilisation of a robust compliance management framework which will be executed through a multi-faceted approach. RRA efforts will focus on improving taxpayers' compliance in identified mostly risky areas and sectors. This is going to be achieved through undertaking various initiatives targeting to influence taxpayers' compliance behaviour through community interaction, education seminars, advisory visits, data analytics to identify instances of non-compliance, tax audits and strong enforcement measures for intentional non-compliance attitude.

#### ***VI.4 PARTNERSHIP WITH REGIONAL AND INTERNATIONAL BODIES***

RRA continued enhancing existing partnerships with different institutions at regional and international levels. This resulted in building internal capacity, mutual collaborations, information exchange and promoting RRA's image at different forums. In 2020/21, RRA had the following partners:

Foreign Commonwealth and Development Office (FCDO), European Union (EU), Belgium Development Agency (ENABEL), International Monetary Fund (IMF), Her Majesty's Revenue and Customs (HMRC), Trade Mark East Africa (TMEA), Japanese Agency for International Cooperation (JICA), Korea International Cooperation Agency (KOICA), German Development Agency (GIZ), African Tax Administration Forum (ATAF), International Centre for Tax and Development (ICTD), World Bank Development Impact Evaluation (DIME) Team, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Norwegian Tax Administration, East Africa Revenue Authorities (EARA), Carnegie Mellon University (CMU), Africa Institute for Mathematical Sciences (AIMS), International Computer Driving License-Africa (ICDL), World Customs Organization (WCO), Institute of Legal Practice and Development (ILPD), Rwanda Freight Forwarders Association (RWAFFA), East Africa Freight and Forwarding Companies (EACFFPC) and Overseas Development Institute (ODI).

Key areas of intervention of the above partners include the following:

Strengthening of IT systems through direct support to RRA Public Financial Management Sub fund, human resource performance management, establishment of knowledge management system in RRA, trade facilitation projects, strengthening the risk management framework related to electronic invoicing system, electronic invoicing system V.2, enhancing local government revenue collection, strengthening international taxation and transfer pricing, legal practice, research in taxation, supporting the implementation of the customer management strategy, customs valuation, and customs clearance procedures.

## **VII. RRA'S EXPENDITURE FOR 2020/21 FISCAL YEAR**

The total RRA revised budget for the 2020/21 fiscal year was **Frw 77.7 billion** and RRA's expenditure was **Frw 70.1 billion**, which is **90.2%** of the annual budget, resulting in an under spending of Frw 7.6 billion.

The main reasons for this under spending were: delays in procurement process for the acquisition of staff uniforms whose budget was Frw 240 million, repair and maintenance (628 million), purchase of computers, scanners and other ICT equipment (1.5 billion), acquisition of office equipment (650 million) and supplying EBM point of sales (POS) devices (1.4 billion). Procurement process was mainly affected by lack of responsive and qualified bidders leading to the re-advertisement of the tenders or extension of delivery period. In addition, there was delay in the rehabilitation of RRA, NEC and OAG complex which is behind the initial schedule due to measures associated to COVID-19 pandemic causing delays in spending Frw 320 million.

Furthermore, there was an underspending totalling Frw 2.1 billion that was due to some restrictions on movements that were introduced during 2020/21 fiscal year including the policy to encourage working from home and impacted negatively on some spending under the use of goods and services. Those that were affected included spending on travelling and office expenses, training costs, meetings, professional and contractual services, other costs (sports, water, energy, etc.) and all accounted for the lower spending mentioned above.

Based on revised calculation of cost collection, the RRA registered a cost of collection of **2.6%** compared with **2.8%** registered in previous fiscal year. A summary of the RRA's budget and expenditure in 2020/21 fiscal year is shown in **Table 28** below:

*Table 28: Total RRA budget and expenditure in Frw*

Expenses	Revised budget FY 2020/21	Actual FY 2020/21	Variance	Performance (%)
Compensation of Employees	27,398,968,856	27,368,578,316	30,390,540	99.9%
Use of Goods and Services	20,704,724,365	17,264,186,266	3,440,538,099	83.4%
Social Assistance	690,720,365	455,544,688	235,175,677	66.0%
Other Expenses	22,199,313,099	21,901,215,596	298,097,503	98.7%
<b>Total Operating Expenses</b>	<b>70,993,726,685</b>	<b>66,989,524,866</b>	<b>4,004,201,819</b>	<b>94.4%</b>
<b>Capital Expenditure</b>	<b>6,754,129,380</b>	<b>3,102,981,701</b>	<b>3,651,147,679</b>	<b>45.9%</b>
<b>Total Expenses</b>	<b>77,747,856,065</b>	<b>70,092,506,567</b>	<b>7,655,349,498</b>	<b>90.2%</b>

*Source: RRA, 2021*

## VIII. KEY CHALLENGES FACED BY RRA DURING 2020/21 FISCAL YEAR

During 2020/21 fiscal year, Rwanda Revenue Authority had some challenges that hindered its performance and service delivery. The main ones are highlighted below:

### *VIII.1 HIGH TAX ARREARS.*

Domestic tax arrears remain high, at 41.7% of total domestic tax collections for 2020/21 fiscal year and are escalating (up from Frw 354.7 billion in 2019/20, to Frw 485.1 billion in 2020/21; 36.8% growth). Increasingly, domestic tax arrears are getting older, and therefore becoming harder to collect (revenue administrators universally agree that it is much easier to collect a new debt than an old one). Of the total domestic tax arrears outstanding at the end of June 2021, **58.8% (Frw 285.3 billion)** relate to debts **more than 12 months overdue**.

In addition, the stock of customs arrears is increasing, totaling Frw 71.0 billion as of end June 2021 (of which 93.0% were owed by public institutions and projects), and representing a year-on-year growth of 135.1%.

## ***VIII.2 LOW TAX COMPLIANCE CULTURE BY SOME TAXPAYERS***

Although tax compliance kept increasing over time, a non-negligible number of taxpayers do not declare and pay their due taxes or intentionally lower the taxable base to evade taxes. In addition, some VAT registered taxpayers are not complying with EBM requirements (non-issuance of EBM receipts to every buyer, under-reporting of prices on EBM invoices, fictitious EBM invoices and misuse of VAT rates). Also, some clearing agencies are involved in customs offences evading duties, including use of wrong harmonized system codes (misclassification), undervaluation and improper description of good, goods in transit not reached the required destination. Furthermore, fraud and smuggling are still a challenge to revenue mobilization initiatives. Second hand clothes and shoes, loin clothes (Ibitenge), liquors and wines, raw tobacco and cigarettes, illicit cosmetics and prohibited electric wires were the lead products with high frequency for fraud and smuggling during the course of the year. RRA shall keep striving to increase compliance.

## **IX. CONCLUSION**

As indicated above, RRA registered a tax revenue performance of **103.5%** resulting in growth of **9.4%** compared to collections in 2019/20.

Several factors have contributed to this performance. The recovery has been better than expected and macroeconomic conditions were better than expected, with turnover growth and imports volumes above forecasts. This is further reflected in consumption taxes performance despite the underperformance of excise duty for some products and imports duties performance. Regarding profit tax, the excess was mainly attributed to the good performance compared to the expectations of CIT due to the lower expenses in calendar year 2020 for the sectors of Manufacturing and Telecommunications and withholding tax in line with increased Government spending for economic recovery.

During the whole FY, every effort was made to ensure that RRA does not miss the revenue target. The next move for RRA will be to focus on areas where we can realise quick gains in terms of service delivery, trade facilitation and revenue collection while enhancing other internal systems. RRA will follow-through with the implementation of action plan 2021/22 to enable achieve the set targets.