



TAX COMPLIANCE IMPROVEMENT PLAN (2022-2023)



VISION

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



MISSION

To **mobilise revenue** for **economic development** through **efficient** and **equitable services** that **promote business** growth.



**HERE FOR YOU
TO SERVE**



FOREWORD

We are proud to introduce the RRA Tax Compliance Improvement Plan 2022-2023, a high-level overview of our plans for the next financial year to further improve compliance with tax legislation. We plan to do this by focusing particular attention on areas that our research and risk analysis model and tools have shown pose a significantly higher risk of non-compliance. RRA is currently guided in its efforts by a Strategic Plan that covers the period of 2019 - 2024. The plan provides for our commitment to develop a separate annual tax Compliance Improvement Plan through which we can use our resources more effectively in ensuring voluntary compliance of our population of taxpayers.

Our tax system is based on the principles of self-assessment and voluntary compliance which relies on taxpayers' honesty in determining their tax obligations, submitting their tax returns, payment of due taxes, and accurate reporting. We believe that if you are making your fair contribution and doing the right thing, you deserve to know that everyone else is doing so too! As we make it easier for all taxpayers to meet their obligations quickly, easily, and cost-efficiently, we must make equally sure that those who don't pay their fair share and don't abide by the rules are brought into the fold. By focusing on these issues, we believe we can make a significant impact on increasing the fairness of the tax system.

We have been striving to modernization our systems to facilitate the collection of taxes and enhance compliance with tax laws. The modernization of our systems has led to improvements in the quality and integrity of data. This has enabled us to sharpen our research and analytical capabilities, providing us with key insights which have enhanced our understanding of taxpayers. From this data, we have been able to prioritize areas that require our immediate attention, the results of which have informed our compliance program.

This is our seventh annual Compliance Improvement Plan. Our previous compliance improvement plans have made a significant contribution toward voluntary compliance. I cordially convey my gratitude to Taxpayers, tax practitioners, and other stakeholders for their cooperation throughout the implementation of the previous Compliance Improvement Plans.

This Compliance Improvement Plan will focus on two main aspects which are; general compliance interventions and specific compliance interventions. Our general compliance interventions will focus on the four core areas of tax compliance obligations that is registration, filling, payment, and accurate reporting. Our specific compliance interventions will be composed of two parts which are domestic taxes and customs services. Our compliance interventions on domestic taxes will be tailored to Taxpayers segments and economic sectors. To this end, for large Taxpayer segment we will target the manufacturing and real estate sectors, for medium Taxpayer segment we will target the manufacturing and construction sectors and for small Taxpayer segment we will target the manufacturing and real estate sectors. Our compliance interventions on customs services will focus on Importers dealing with high-risk commodities, Importers who imported goods from the high-risk origin, Traders who benefited EAC duty remission scheme (exemption), selectivity criteria with the highest hit rate and Customs brokers (Clearing Agencies).

We would like to help people recognize behaviours that pose a risk to them and take measures to avoid them, thereby encouraging voluntary compliance. By providing our customers visibility into our compliance activities, we hold ourselves accountable and hope to enlist support from the broader community to ensure fair administration of tax collection and the prosperous development of our country. We remain committed to our mission and vision and putting our customers at the centre of everything we do. I am confident that with the collaboration of our teams together in partnership with our stakeholders, the goals we aspire to achieve in time will translate into milestones which we can all be proud of. As RRA works towards realizing its vision, let us continue to work together to improve tax compliance in the interests of the nation's growth and development.

Sincerely,



BIZIMANA RUGANINTWALI Pascal

Commissioner General

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LIST OF ABBREVIATIONS AND ACRONYMS

C&CS:	Communication and Customer Service
CIF:	Cost Insurance and Freight
CIT:	Corporate Income Tax
CPC:	Customs Procedure Code
CSD:	Customs Services Department
DMD:	Debt Management Division
DTD:	Domestic Taxes Department
EACCMA:	East African Community Customs Management Act
EBM:	Electronic Billing Machine
GDP:	Gross Domestic Product
HS:	Harmonized System Code
IMF:	International Monetary Fund

OECD:	Organization for Economic Co-operation and Development
OSBP:	One-Stop Border Post
PAYE:	Pay As You Earn
PIT:	Personal Income Tax
P&DT:	Provincial and Decentralised Tax
PSF:	Private Sector Federation
RDF:	Risk Differentiation Framework
RM&DA:	Risk Management and Data Analytics
RRA:	Rwanda Revenue Authority
RWAFFA:	Rwanda Freight Forwarders Association
TAD:	Tax Audit Division
TADAT:	Tax Administration Diagnostic Assessment Tool
VAT:	Value Added Tax

1. INTRODUCTION

Revenue authorities have a central role (and vested interest) in ensuring that taxpayers and other parties understand their obligations under the tax laws. The mission of RRA is to mobilise revenue for economic development through efficient and equitable services that promote business growth. Raising more domestic revenues is a priority for any revenue collection institution. It is the only way for governments to provide basic public goods/services, reduce foreign aid, and reduce the fiscal deficit. In fulfilling this mandate, RRA's key objectives are aimed at improving compliance and optimizing revenue collection. Taxpayers on the other hand, have the obligation to report and pay taxes, and thus contribute to the economic growth and development of the country.

The actions of taxpayers – whether due to ignorance, carelessness, recklessness, or deliberate evasion, as well as weaknesses in the tax administration mean that instances of failure to comply with the tax law are inevitable. Therefore; tax administration should have in place strategies and structures to ensure that non-compliance with tax laws is kept to a minimum. The art of good tax administration is based on the creation of an environment which is strongly facilitating compliance. This Compliance Improvement Plan 2022-2023 outlines how RRA is going to achieve this.

This compliance improvement plan will answer the following questions;

- What are the major compliance risks to be addressed?
- Which taxpayers do they relate to?
- How should these risks be treated to achieve the best possible outcome?

Strategies in this compliance improvement plan intend to enable RRA achieve its objective of taxpayers committing to their tax obligations and enhancing voluntary compliance. During the period of this compliance improvement plan, RRA efforts will focus on improving Taxpayers' compliance in areas identified as most risky. This is going to be achieved through undertaking various initiatives intending to influence Taxpayers' compliance behaviour.

2. BACKGROUND

The TADAT assessment report of August 2015 identified unsystematic assessment of compliance management interventions across the RRA in the areas of registration, filing, payment and accurate reporting and highlighted that there is a need for RRA to understand the causes of non-compliant behaviour of taxpayers and take adequate corrective measures. The international experience suggests that most types of noncompliance are best treated by: i) understanding underlying causes; ii) making groups of taxpayers aware that their noncompliant behaviour is known; iii) adopting a cooperative approach to reconciling; and iv) demonstrating the seriousness of the administration through small numbers of high-profile enforcement activities. It is in this context that RRA with IMF technical assistance developed compliance risk analysis model and tool based on best practices from Australia Tax Office.

Since then, RRA adopted developing and implementing the annual tax compliance improvement plan. Strategies in the compliance improvement plan document intends to enable RRA achieve its objective of taxpayers committing to their tax obligations and enhancing voluntary compliance. RRA has so far developed and implemented six (6) annual tax compliance improvement plans. The plans have been developed and implemented focusing particular attention on areas and sectors which research and risk analysis model and tools show pose a significantly higher risk of non-compliance.

The TADAT assessment of 2019 pointed out some weak areas including not addressing all compliance risks that RRA has rated as high in the strategic planning process. It is in this context that the tax Compliance Improvement Plan 2019-2020 onwards focuses into two main aspects that is general and specific compliance interventions. The general compliance interventions in this Compliance Improvement Plan will focus on the four core areas of tax compliance obligations that is registration, filling, payment and accurate reporting. The specific compliance interventions will be composed of two parts i.e domestic taxes and customs services. Specific compliance interventions on domestic taxes will be tailored to Taxpayers segments and economic sectors. To this end, for large Taxpayers segment will target the manufacturing and real estate sectors, for medium Taxpayers segment will target the manufacturing and construction sectors and for small Taxpayers segment will target the manufacturing and real estate sectors. Compliance interventions on Customs services will focus on Importers dealt with high-risk commodities, Importers who imported goods from high-risk origin, Traders who benefited EAC duty remission scheme (Exemption), selectivity criteria with highest hit rate and Customs brokers (Clearing Agencies).

3. OBJECTIVES OF THE COMPLIANCE IMPROVEMENT PLAN

The purpose of a taxpayer compliance program is to identify and respond to the most significant risks in the tax system through a range of measures aimed at the underlying causes of the noncompliant behaviour. The main objective is to achieve the wider possible impact on voluntary compliance across the taxpayer population. Specifically, the RRA tax compliance improvement plan 2022-2023 intends to;

- Elevate voluntary tax compliance
- Improve Taxpayers' knowledge
- Improve Taxpayers' attitudes and perceptions towards paying taxes
- Improve the community confidence with the tax administration



4. UNDERSTANDING COMPLIANCE

Generally, compliance means conforming to a specification, standard or law that has been clearly defined. It is the practice of obeying a rule and law in accordance with established guidelines, try to fit specific standards set and meet the requirements of prescribed regulations. Compliance in the context of tax administration refers to the extent to which taxpayers and traders, along with intermediaries like practitioners fulfil their tax obligations. Compliance with tax laws in Rwanda typically means registering when required, filing returns on time, reporting complete and accurate information to determine tax liability and paying all amounts owing when due. Non-compliance occurs when any of these obligations are not met for whatever reason.

Different studies categorize Taxpayer's compliance in two perspective models (economic Deterrence model and fiscal and social psychology model). Economic Deterrence model is based on the concept that the risk of detection and punishment will improve compliance behaviour. Whereas fiscal and social psychology models inductively examine the attitudes and beliefs of taxpayers in order to predict actual behaviour.

Tax obligations placed on a taxpayer varies from one tax type to another and from one jurisdiction to the next. However, the four major broad categories of taxpayer obligations remain the same for all taxpayers irrespective of jurisdiction, these are:

- ▶ **Registration** - Any person subject to any type of tax administered by RRA has to be registered in RRA and obtain a fiscal number before engaging in any economic activity of taxation relevance.
- ▶ **Filing and declaration** – Taxpayers have to file tax returns with RRA in accordance with the tax legislation. All importers and exporters have to declare their imports or exports in accordance with the East African Community Customs Management Act (EACCMA).
- ▶ **Complete and accurate reporting** – Each taxpayer is obliged to keep evidence of economic activities (books, records, invoices, etc.) as required in the tax legislation and submit/present the data and or documentation required by RRA accurately and timely in accordance with the tax legislation.
- ▶ **Payments** – Taxpayers have to pay taxes and duties at the specified time without RRA notice or request.

If a taxpayer fails to meet any of the above obligations, then they may be considered to be non-compliant. The willingness and behaviour of a Taxpayer to meet tax obligations has a major impact on compliance levels. In order to achieve the optimal level of compliance, it is necessary to pay attention to Taxpayer's behaviour and the methods of influencing behaviour. This assists the tax administration in choosing the most efficient (low costs) and effective (best outcome) way to treat such behaviours. This is better explained in the OECD Compliance pyramid and behaviour model shown below:

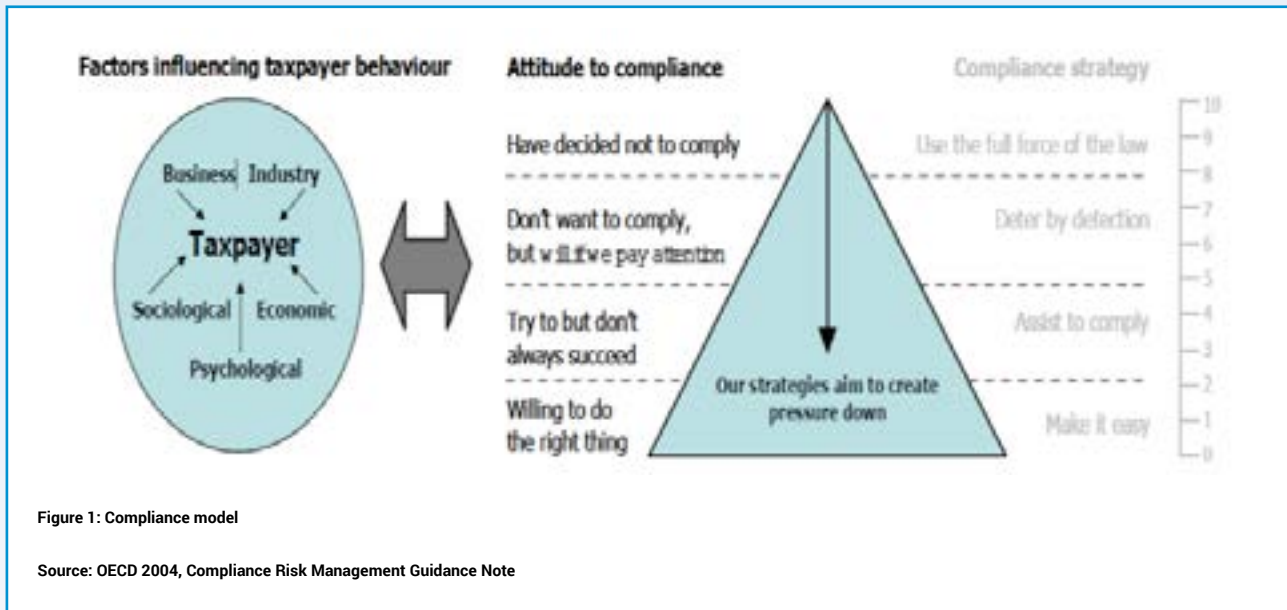


Figure 1: Compliance model

Source: OECD 2004, Compliance Risk Management Guidance Note

The compliance model above provides a structured way to better understand what motivates people to comply, or not comply, and it assists us to tailor our responses and interventions so that we can influence taxpayer behaviour in a positive way. It recognizes that taxpayers are not a homogenous group and their circumstances can change over time.

The left side of the model identifies the wide variety of factors that can influence the extent to which a taxpayer chooses or is able to meet their obligations, including business, industry, sociological, economic and psychological factors. This mix of environmental factors is represented by the acronym BISEP: B = business profile, I = industry factors, S = sociological factors, E = economic factors and P = psychological factors.

The right side of the model reflects the different taxpayer attitudes to compliance, ranging from 'willing to do the right thing' to 'have decided not to comply', and the corresponding high-level strategies that are most likely to effectively address those attitudes.



5. OUR APPROACH TO DETECT NON-COMPLIANCE

To monitor the compliance levels of taxpayers in order to pin-point areas of high or low compliance and identify most non-compliant areas to target, some analysis and studies were conducted using data extracted in RRA systems and other external sources. The risk differentiation framework (RDF) was used to map taxpayers in the same sector/area into different categories of risks so that we can devise appropriate strategies in line with our compliance approach to sustain or alter the behaviour as required.

ANALYSIS:

- Analysis of Taxpayers registered in some tax heads but not registered in others which they are eligible
- Analysis of non-fillers and late fillers
- Analysis of non-payers and late payers
- Analysis of Taxpayers' declarations and tax audit findings

STUDY:

- Profitability of business activity benchmarking (2015-2020).

Risk Differentiation Framework (RDF):

RRA adopted the Risk Differentiation Framework (RDF) made up of four different quadrants (groups) that contain taxpayers with common behaviours as per risk perspective.

Quadrant 1: Higher Risk Taxpayers

Quadrant 2: Key Taxpayers

Quadrant 3: Medium Risk Taxpayers

Quadrant 4: Lower Risk Taxpayers



Figure 2: RRA Risk Differentiation Framework

The above RDF is based on the premise that our risk management approach to tax compliance should take account of our perception of both the:

- i) Estimated likelihood of having a tax position that we disagree with, or taxpayer (through error or omission) have misreported tax obligations (as evidenced by behaviour, approach to business activities, governance, and compliance with tax laws),
- ii) Consequences of that potential non-compliance (financial impact, relative influence, impact on community confidence).

6. PRIORITY AREAS AT A GLANCE

The Compliance Improvement Plan 2022-2023 will focus into the following areas.

i) General compliance intervention:

- ▶ Registration,
- ▶ Filling,
- ▶ Payment,
- ▶ Complete and accurate reporting

ii) Specific compliance intervention:

Domestic Taxes

- ▶ Manufacturing sector: All taxpayer segments
- ▶ Real estate sector: Large and small taxpayer segments
 - ▶ Buying, selling, renting and operating of self-owned or leased real estate: Large taxpayer segment
 - ▶ Management of real estate on a fee or contract basis: Large taxpayer segment
 - ▶ Real estate activities with own or leased property : Small taxpayer segment



- Construction sector: Medium taxpayer segment
 - Provision of homes and furnished or unfurnished flats or apartments for more permanent use
 - Building of complete constructions

Customs Taxes

- Importers dealt with high-risk commodities
- Importers who imported goods from high-risk origin
- Traders who benefited EAC duty remission scheme (exemption)
- Selectivity criteria with highest hit rete
- Customs brokers (Clearing agents)



7. GENERAL COMPLIANCE INTERVENTIONS

The TADAT assessment of April 2019 recommended RRA to always include all compliance activities in the annual compliance improvement plan. It is in this regard that this Compliance Improvement Plan 2022-2023 is including the general compliance interventions which focuses on the four core areas of tax compliance obligations, namely registration, filing, payment and accurate reporting, all taxpayer segments and all tax heads. Data were analysed to identify the instances of non-compliance and identify most non-compliant sectors in all core areas of tax compliance, all taxpayer segments and all core tax heads that is VAT, CIT/PIT and PAYE.



Compliance strategy: General compliance intervention

1. Strategy Overview:

All core areas of tax obligations are concern for compliance interventions in all tax types and all taxpayer segments. The strategies for improvement are categorised into education, support, simplification or process improvement, detection and enforcement activities.

2. Segment Profile	3. Key Compliance Risks	4. Risk Treatments																		
<p>2.1 Amount / type of tax revenue:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Tax Type</th> <th style="text-align: left;">Revenue</th> </tr> </thead> <tbody> <tr> <td>Billion</td> <td>128.2</td> </tr> <tr> <td>CIT/PIT</td> <td>147.3</td> </tr> <tr> <td>VAT</td> <td>555.3</td> </tr> <tr> <td>PAYE</td> <td>394.9</td> </tr> </tbody> </table> <p>Total tax collection represents: CIT/PIT – 8.5% VAT – 32.2% PAYE – 22.9% *Calendar year 2021</p> <p>2.2 Number / type of taxpayers:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Type</th> <th style="text-align: left;">No</th> </tr> </thead> <tbody> <tr> <td>CIT/PIT</td> <td>308,144</td> </tr> <tr> <td>VAT</td> <td>38,978</td> </tr> <tr> <td>PAYE</td> <td>20,053</td> </tr> </tbody> </table>	Tax Type	Revenue	Billion	128.2	CIT/PIT	147.3	VAT	555.3	PAYE	394.9	Type	No	CIT/PIT	308,144	VAT	38,978	PAYE	20,053	<p>3.1 Registration risk: High</p> <p>Significant potential operating businesses not registered as Taxpayers Taxpayers declaring CIT/PIT turnover eligible for VAT but not registered Taxpayers registering in VAT but not in CIT/PIT Taxpayers registering in CIT/PIT but not in PAYE Importers importing goods with CIF eligible for CIT/PIT registration but not registered Importers importing Vatable goods with CIF eligible for VAT registration but not registered Taxpayers with trading license, purchases and/or importation but not registered in income tax</p> <p>3.2 Filing risk: High</p> <p>Many small Taxpayers lack of understanding of tax obligations Late filing and missing returns</p> <p>3.3 Payment risk: High</p> <p>Late payment and non-payment of due taxes</p> <p>3.4 Inaccurate and incomplete reporting risk: High</p> <p>Under declaration of income Inflated expenses and continual losses Taxpayers implementing aggressive tax planning Purchases and expenses being redirected for personal use The cash-based economy enables informal transactions (off books)</p>	<p>4.1 Education Education seminars to new registered taxpayers EBM communication activities set in the awareness and promotion plan Encourage non-VAT registered taxpayers to use EBM</p> <p>4.2 Support Technical support on the usage of EBM</p> <p>4.3 Simplification or process improvement Integration of EBM system with private invoicing systems through VSDC</p> <p>4.4 Detection Data analysis to identify potential unregistered taxpayers Data analysis to identify non-compliance (underreporting) cases Tax audits to risky taxpayers Supply chain analysis and stock quantity analysis to detect non issuance of EBM invoices Analysis of risk rules on High Net Worth Individuals (HNWI)</p> <p>4.5 Enforcement Follow up to register potential unregistered Taxpayers identified Monitoring non fillers and non-payers Enforcement of tax arrears EBM enforcement activities informed by EBM risk rules EBM field enforcement operations in Kigali and provinces Automated SMS to remind of filing and payment obligations Remind non compliant users of EBM through telephone calls and SMSs Develop applications (dashboards) for monitoring Taxpayers' compliance</p>
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	5. Compliance Indicators	6. Workflows																																	
7. Capacity Development	<p>No. of taxpayer registrants as a % of identifiable</p> <p>8% increase in on-time filing rate</p> <p>93.3, 89.8% and 95.5% on-time payment rate for VAT, PAYE and CIT/PIT respectively</p> <p>% of tax arrears collections described in the part of workflows</p> <p>% Increase in total collections</p> <p>% changes in tax revenue against GDP</p>	<table border="1"> <thead> <tr> <th data-bbox="943 192 1078 230">Type of Actions</th> <th colspan="2" data-bbox="1078 192 1410 230">Number/Description</th> </tr> </thead> <tbody> <tr> <td colspan="3" data-bbox="943 230 1410 266">Registration Checks</td> </tr> <tr> <td data-bbox="943 266 1078 338" rowspan="2">Comprehensive Audits</td> <td data-bbox="1078 266 1139 300">TAD</td> <td data-bbox="1139 266 1410 300">101</td> </tr> <tr> <td data-bbox="1078 300 1139 338">P&DT</td> <td data-bbox="1139 300 1410 338">96</td> </tr> <tr> <td data-bbox="943 338 1078 409" rowspan="2">Issue Audits</td> <td data-bbox="1078 338 1139 371">TAD</td> <td data-bbox="1139 338 1410 371">560</td> </tr> <tr> <td data-bbox="1078 371 1139 409">P&DT</td> <td data-bbox="1139 371 1410 409">320</td> </tr> <tr> <td data-bbox="943 409 1078 481" rowspan="2">Desk audits</td> <td data-bbox="1078 409 1139 448" rowspan="2">P&DT</td> <td data-bbox="1139 409 1410 448">5,208 (Provincial and DT)</td> </tr> <tr> <td data-bbox="1139 448 1410 481">33,600 (Provincial local taxes)</td> </tr> <tr> <td data-bbox="943 481 1078 539">Specialized audit cases</td> <td data-bbox="1078 481 1139 539" rowspan="2">TAD</td> <td data-bbox="1139 481 1410 539">50</td> </tr> <tr> <td data-bbox="943 539 1078 573">TP audit cases</td> <td data-bbox="1139 539 1410 573">6</td> </tr> <tr> <td data-bbox="943 573 1078 815" rowspan="2">Debt collection actions</td> <td data-bbox="1078 573 1139 815" rowspan="2">DMD</td> <td data-bbox="1139 573 1410 649">15% - 20% of total DTD core tax arrears as a percentage of total DTD core tax revenue collections</td> </tr> <tr> <td data-bbox="1139 649 1410 721">5% - 10% of DTD collectible core tax arrears as a percentage of total DTD core tax revenue collections</td> </tr> <tr> <td data-bbox="943 815 1078 871" rowspan="2"></td> <td data-bbox="1078 815 1139 871" rowspan="2">P&DT</td> <td data-bbox="1139 815 1410 871">25% - 50% of DTD core tax arrears more than 12 months old as a percentage of the value of all core tax arrears</td> </tr> <tr> <td data-bbox="1139 871 1410 911">50% of total LGT arrears collected to total collectable arrears</td> </tr> </tbody> </table>	Type of Actions	Number/Description		Registration Checks			Comprehensive Audits	TAD	101	P&DT	96	Issue Audits	TAD	560	P&DT	320	Desk audits	P&DT	5,208 (Provincial and DT)	33,600 (Provincial local taxes)	Specialized audit cases	TAD	50	TP audit cases	6	Debt collection actions	DMD	15% - 20% of total DTD core tax arrears as a percentage of total DTD core tax revenue collections	5% - 10% of DTD collectible core tax arrears as a percentage of total DTD core tax revenue collections		P&DT	25% - 50% of DTD core tax arrears more than 12 months old as a percentage of the value of all core tax arrears	50% of total LGT arrears collected to total collectable arrears
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<p>Staff trainings:</p> <p>Advanced media content production (creative writing, Adobe Suites: graphic designs, 3D Animation and Adobe After Effects)</p> <p>Customer care and public relations</p> <p>Data analytics and Business Data Science</p> <p>DTD specialized sectors: banking, gaming activities, hospitality (Hotel & Restaurant), insurance, international taxation, mining, petroleum & gas and telecommunication</p> <p>Gambling</p> <p>Information Systems:</p> <p>Develop capability to exploit bulk third party data</p> <p>Capability to broadcast SMS messages</p> <p>Administrative Tools:</p>																																			

7.1. Registration

Any person subject to any type of tax administered by RRA has to be registered in RRA and obtain a Tax Identification Number before engaging in any economic activity of taxation relevance. The registration risk is that Taxpayers fail to register with RRA when they are supposed to. Treatment strategies to improve registration compliance will involve activities aimed at taxpayers operated outside the tax net in the year 2021 being registered.



General compliance interventions: Registration

NO	OWNER	DUE BY	COMPLIANCE STRATEGIES	TAXPAYER SEGMENT	TAX HEAD	MOST NON-COMPLIANT SECTORS
1	RM&DA	30-JUNE-23	Data analysis to identify potential unregistered Taxpayers	All tax heads	All sectors	Large, Medium and Small
2	DTD	30-JUNE-23	Follow up to register potential unregistered Taxpayers identified	Small & Medium	VAT	Wholesale and retail trade; repair of motor vehicles and motorcycles
						Manufacturing
						Professional, scientific and technical activities
						Accommodation and food service activities
					CIT/PIT	Wholesale and retail trade; repair of motor vehicles and motorcycles
						Transportation and storage
						Financial and insurance activities
						Accommodation and food service activities
						Other service activities
					PAYE	Wholesale and retail trade; repair of motor vehicles and motorcycles
						Professional, scientific and technical activities
						Agriculture, forestry and fishing

7.2 Filing and declaration

Taxpayers have to file tax returns with RRA in accordance with the tax legislation. All importers and exporters have to declare their imports or exports in accordance with the East African Community Customs Management Act (EACCMA). The compliance risk is that Taxpayers don't file returns or other information required on time.

General compliance interventions: Filing

NO	OWNER	DUE BY	COMPLIANCE STRATEGIES	TAX HEAD	MOST NON-COMPLIANT SECTORS	TAXPAYER SEGMENT
1	DTD	Quarterly	Monitoring non fillers	CIT/PIT	Wholesale and retail trade; repair of motor vehicles and motorcycles	Large, Medium and Small
					Financial and insurance activities	
					Transportation and storage	Large, Medium and Small
					Accommodation and food service activities	
					Other service activities	Small
					Manufacturing	Large, Medium and Small
				VAT	Wholesale and retail trade; repair of motor vehicles and motorcycles	Medium and Small
					Manufacturing	Large, Medium and Small
					Construction	Medium and Small
					Professional, scientific and technical activities	Small
					Accommodation and food service activities	Medium and Small
					Information and communication	Small
				PAYE	Public administration and defence; compulsory social security	Medium and Small
					Wholesale and retail trade; repair of motor vehicles and motorcycles	Large, Medium and Small
					Human health and social work activities	
Transportation and storage	Medium and Small					
Education	Large, Medium and Small					
Other service activities	Small					
2	TPS&C	30-MAR-23	Education seminars to new registered Taxpayers in all districts	All tax heads	All sectors	Small Taxpayers

7.3 Payment

Taxpayers have to pay taxes and duties at the specified time without RRA notice or request. The compliance risk is that Taxpayers do not pay the correct amount of tax on time.

General compliance interventions: Payment

NO	OWNER	DUE BY	COMPLIANCE STRATEGIES	TAX HEAD	MOST NON-COMPLIANT SECTORS	TAXPAYER SEGMENT	
1	DTD	Quarterly	Monitoring non payers	CIT/PIT	Wholesale and retail trade; repair of motor vehicles and motorcycles	Large, Medium and Small	
					Transportation and storage		Small
					Manufacturing		Large, Medium and Small
					Professional, scientific and technical activities		Small
					Construction		Medium and Small
				VAT	Wholesale and retail trade; repair of motor vehicles and motorcycles	Large, Medium and Small	
					Manufacturing		
					Construction		
					Professional, scientific and technical activities		
					Accommodation and food service activities		
				PAYE	Human health and social work activities	Large, Medium and Small	
					Wholesale and retail trade; repair of motor vehicles and motorcycles		
					Public administration and defence; compulsory social security		
					Education		
					Manufacturing		
				Other service activities			
2	TPS&C	30-MAR-23	Education seminars to new registered Taxpayers in all districts	All tax heads	All sectors	Small Taxpayers	

7.4 Complete and accurate reporting

Each taxpayer is obliged to keep evidence of economic activities (books, records, invoices, etc.) as required in the tax legislation and submit/present the data and or documentation required by RRA accurately and timely in accordance with the tax legislation. The compliance risk is that Taxpayers file false or incorrect returns.

General compliance interventions: Complete and accurate reporting

NO	OWNER	DUE BY	COMPLIANCE STRATEGIES		
1	RM&DA	31-DEC-22	Analysis of public tenders to identify noncompliance cases for audit		
2	RM&DA	Monthly	Compliance analysis of VAT input & output declared		
3	RM&DA	30-APRIL-23	Comparative analysis of EBM sales, VAT turnover and CIT/PIT turnover		
4	RM&DA and EBM	30-JUN-23	Supply chain analysis of local traders		
5	DTD	30-JUN-23	Tax audits	TAD	50 Specialized audit cases 6 TP audit cases 101 Comprehensive audit cases 560 Issue oriented audit cases
				P&DT	320 Issue-Oriented audit cases (Provincial and DT) 96 Comprehensive audit cases (Provincial local and DT taxes) 5,208 Desk audits (Provincial and DT) 33,600 Desk audit cases (Provincial local taxes)

NO	OWNER	DUE BY	COMPLIANCE STRATEGIES
7	EBM	30-JUNE-23	Conduct EBM enforcement activities informed by EBM risk rules
8	EBM		Conduct mystery shopping to detect non-compliance
9	EBM		EBM enforcement operations in Kigali and provinces
10	EBM		Supply chain analysis and stock quantity analysis to detect non issuance of EBM invoices
11	TPS&C and EBM		EBM communication activities set in the awareness and promotion plan
12	TPS&C and EBM		Encourage non-VAT registered taxpayers to use EBM
13	EBM		Technical support on the usage of EBM
14	EBM		Integration of EBM system with private invoicing systems through VSDC
15	RM&DA		Analysis of risk rules on High Net Worth Individuals (HNWI)
16	EBM		Remind non compliant users of EBM through telephone calls and SMSs
17	Data Science		Develop applications (dashboards) for monitoring Taxpayers' compliance

Source: The number of audit cases and percentage of arrears recovery from DTD action plan 2022-2023

8. SPECIFIC COMPLIANCE INTERVENTIONS

The specific compliance interventions will focus on both domestic taxes and customs taxes. On domestic taxes, the plan will focus on manufacturing sector for all taxpayer segments (large, medium and small), real estate sector for large and small taxpayers and construction sector for medium taxpayers. On customs taxes the plan will focus on Importers dealt with high-risk commodities, Importers who imported goods from high-risk origin, Traders who benefited EAC duty remission scheme (exemption), Selectivity criteria with highest hit rate and Customs brokers (Clearing Agencies).

8.1 DOMESTIC TAXES

The compliance actions for risky sectors in domestic taxes will be categorized into literature, community interaction, media, education seminars and advisory visits. To be able to map taxpayers into risk quadrants the following risk metrics were used:

DTD Risk metrics

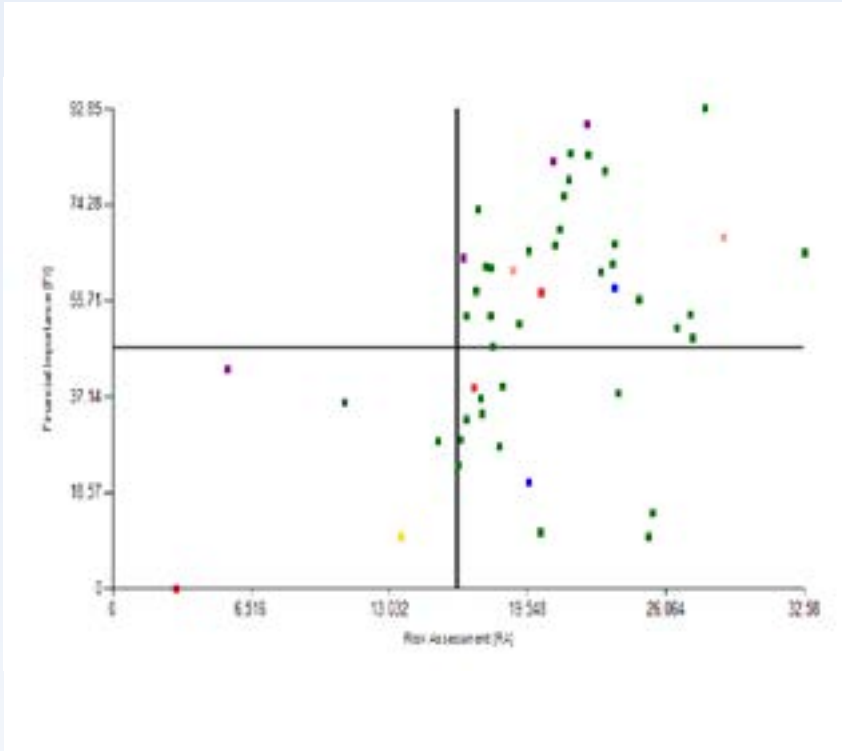
FINANCIAL IMPORTANCE METRICS	RISK ASSESSMENT METRICS
Income – 30%	Effective Tax Rate – 7%
Total Supplies – 35%	Ratio: Purchases to Supplies – 5%
Arrears – 10%	Ratio Payments Liabilities(All) – 5%
Payments (All Accounts) – 15%	Ratio VAT Input Output – 8%
Losses for Year – 5%	Ratio Payments Liabilities VAT – 5%

Imports Value (CIF) – 5%	Ratio refund Not Yet Approved – 5%
	Ratio: Change of expense YOY – 3%
	Ratio Payments Liabilities CIT – 5%
	Net Profit Margin – 7%
	Net Profit Margin YoY – 7%
	Ratio: Current Losses To Carried – 7%
	Ratio: Net Income over Gross Income – 5%
	Sales Variance VAT and CIT – 5%
	% of Late Returns – 3%
	% of Missing Returns – 3%
	% of Late Payment – 3%
	% of Revised Assessments by RRA – 5%
	% of Revised Assessments by Taxpayer – 3%
	% on Audit Result – 7%
	% offenses – 2%

8.1.1 Manufacturing Sector: All Taxpayer segments

The manufacturing sector represents a significant share of the tax base. The sector contributes 2.5% of total CIT/PIT, 10.0% of total VAT and 3.4% of total PAYE (Calendar year 2021). The sector contributed 9% to the total GDP in the year 2021.

Figure 3: RDF results for manufacturing sector (Large Enterprises)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Quadrant 2: Key Taxpayers	
Number of Taxpayers	
Total Supplies	
Total Income	
Total Arrears	
Total Losses	
Total Payments	
% Share of Collections	

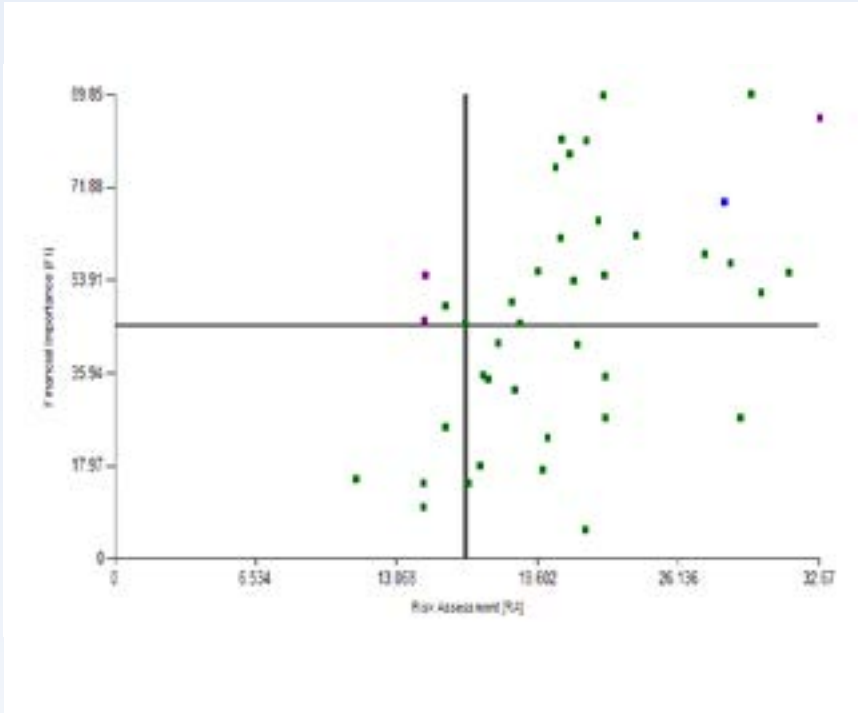
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>6</u>
Total Supplies	RF7,902,758,525
Total Income	RF5,259,656,870
Total Arrears	RF9,607,543
Total Losses	RF0
Total Payments	RF1,113,338,123
% Share of Collections	2%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>32</u>
Total Supplies	RF495,636,880,513
Total Income	RF476,389,829,437
Total Arrears	RF658,036,200
Total Losses	(RF1,127,895,000)
Total Payments	RF43,648,899,085
% Share of Collections	95%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>13</u>
Total Supplies	RF18,139,599,046
Total Income	RF18,840,788,387
Total Arrears	RF8,782,750
Total Losses	RF0
Total Payments	RF1,180,917,658
% Share of Collections	3%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Tax\CIT	38	74.51
\Tax\Filing	4	7.84
\Tax\MULTITAX	4	7.84
\Tax\Payment	1	1.96
\Tax\Revision	2	3.92
\Tax\VAT	2	3.92

Figure 4: RDF results for manufacturing sector (Medium Enterprises)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Tax\Arrears	Brown
\Tax\CIT	Green
\Tax\Filing	Red
\Tax\MULTITAX	Purple
\Tax\Payment	Yellow
\Tax\Reference	Black
\Tax\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>4</u>
Total Supplies	RF16,755,563,982
Total Income	RF1,512,356,201
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF217,382,205
% Share of Collections	4%

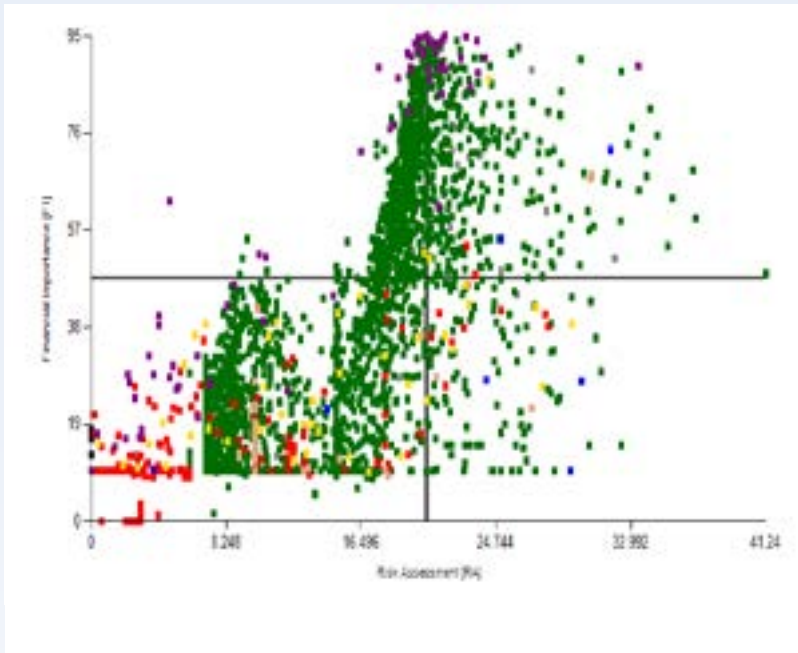
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>20</u>
Total Supplies	RF57,062,909,955
Total Income	RF57,446,679,759
Total Arrears	RF213,731
Total Losses	RF0
Total Payments	RF4,466,887,580
% Share of Collections	90%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>4</u>
Total Supplies	RF149,378,071
Total Income	RF154,429,695
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF22,205,229
% Share of Collections	0%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>13</u>
Total Supplies	RF4,233,824,290
Total Income	RF3,704,134,201
Total Arrears	RF102,346,898
Total Losses	RF0
Total Payments	RF241,555,266
% Share of Collections	5%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Tax\CIT	37	90.24
\Tax\MULTITAX	3	7.32
\Tax\VAT	1	2.44

Figure 5: RDF results for manufacturing sector (Small and Micro Enterprises)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Tax\Arrears	Brown
\Tax\CIT	Green
\Tax\Filing	Red
\Tax\MULTITAX	Purple
\Tax\Payment	Yellow
\Tax\Reference	Black
\Tax\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>534</u>
Total Supplies	RF131,095,193,148
Total Income	RF132,343,762,074
Total arrears	RF290,078,136
Total Losses	RF0
Total Payments	RF8,247,761,026
% Share of Collections	39%

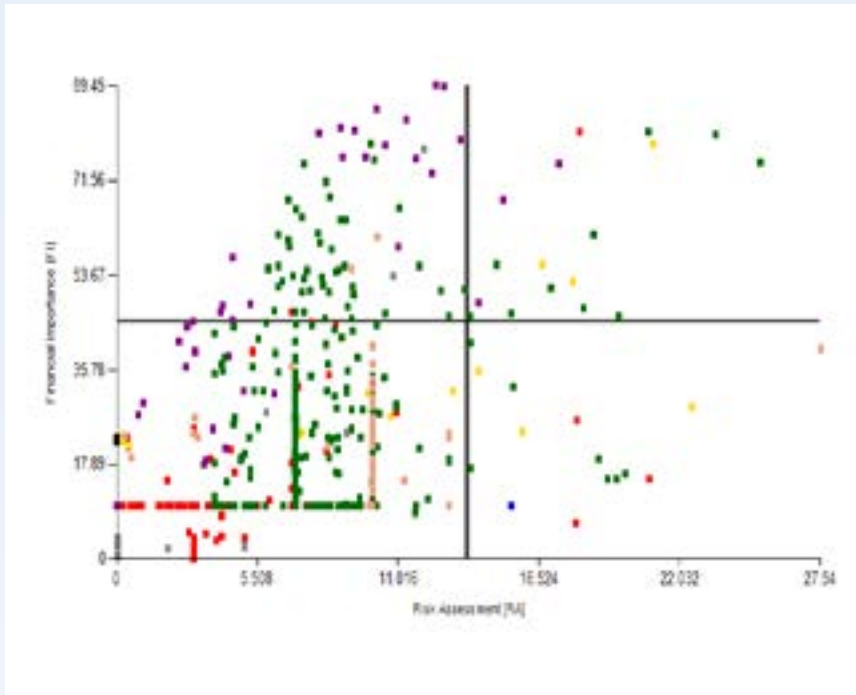
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>342</u>
Total Supplies	RF225,622,849,221
Total Income	RF226,318,473,242
Total Arrears	RF1,217,374,730
Total Losses	(RF461,752,000)
Total Payments	RF12,349,228,909
% Share of Collections	58%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>10,004</u>
Total Supplies	RF9,616,953,689
Total Income	RF14,546,943,415
Total Arrears	RF512,690,081
Total Losses	RF0
Total Payments	RF647,960,870
% Share of Collections	3%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>156</u>
Total Supplies	RF1,791,083,133
Total Income	RF2,044,358,718
Total Arrears	RF120,611,651
Total Losses	(RF2,500,302,000)
Total Payments	RF133,482,504
% Share of Collections	1%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs	32	0.29
\Tax\CIT	5982	54.22
\Tax\Filing	4848	43.94
\Tax\MULTITAX	65	0.59
\Tax\Payment	44	0.4
\Tax\Revision	54	0.49
\Tax\VAT	7	0.06

Figure 6: RDF results for manufacturing sector (Small and Micro Individuals)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Tax\Arrears	Olive
\Tax\Filing	Red
\Tax\MULTITAX	Purple
\Tax\Payment	Yellow
\Tax\PIT	Green
\Tax\Reference	Black
\Tax\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>71</u>
Total Supplies	RF4,174,921,951
Total Income	RF4,316,808,559
Total arrears	RF17,323,108
Total Losses	RF0
Total Payments	RF148,962,927
% Share of Collections	64%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>3,340</u>
Total Supplies	RF714,351,560
Total Income	RF2,299,909,889
Total Arrears	RF51,877,253
Total Losses	RF0
Total Payments	RF52,232,020
% Share of Collections	23%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs	13	0.38
\Tax\Filing	2005	58.27
\Tax\MULTITAX	37	1.08
\Tax\Payment	14	0.41
\Tax\PIT	1308	38.01
\Tax\Revision	63	1.83
\Tax\VAT	1	0.03

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>17</u>
Total Supplies	RF1,031,402,169
Total Income	RF862,691,800
Total Arrears	RF32,670,951
Total Losses	RF0
Total Payments	RF28,959,569
% Share of Collections	13%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>19</u>
Total Supplies	RF103,334,623
Total Income	RF35,892,962
Total Arrears	RF12,488,367
Total Losses	(RF2,675,000)
Total Payments	RF961,671
% Share of Collections	0%

Compliance Strategy: Manufacturing Sector

1. Strategy Overview:	The manufacturing sector represent a significant share of the tax base. The sector contributes 2.5% of total CIT/PIT, 10.0% of total VAT and 3.4% of total PAYE (Calendar year 2021). The sector contributed 9% to the total GDP in the year 2021. It is a high-risk sector for filling, payment and reporting compliance obligations. The behaviour observed suggests a widespread culture of noncompliance. To break the culture, a well-coordinated media campaign will be initiated, compliance education seminars will be organized, data will be analysed, advisory visits will be conducted, tax audits will be conducted and enforcement of tax arrears will also be conducted.																								
2. Segment Profile	3. Key Compliance Risks		4. Risk Treatments																						
<p>2.1 Amount / type of tax revenue:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="text-align: left;">Tax Type</th> <th style="text-align: left;">Revenue Billion</th> <th style="text-align: left;">Tot. Rev. Billion</th> </tr> </thead> <tbody> <tr> <td>CIT/PIT</td> <td>3.7</td> <td>147.3</td> </tr> <tr> <td>VAT</td> <td>55.5</td> <td>555.3</td> </tr> <tr> <td>PAYE</td> <td>13.3</td> <td>394.9</td> </tr> </tbody> </table> <p>Total tax collection represents: CIT/PIT – 2.5% VAT – 10.0% PAYE – 3.4% *Calendar year 2021</p> <p>2.2 Number / type of taxpayers:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="text-align: left;">Type</th> <th style="text-align: left;">No</th> </tr> </thead> <tbody> <tr> <td>Large Enterprises</td> <td>51</td> </tr> <tr> <td>Medium Enterprises</td> <td>41</td> </tr> <tr> <td>Small & Micro Enterprises</td> <td>11,036</td> </tr> <tr> <td>Small & Micro Individuals</td> <td>3,447</td> </tr> </tbody> </table>	Tax Type	Revenue Billion	Tot. Rev. Billion	CIT/PIT	3.7	147.3	VAT	55.5	555.3	PAYE	13.3	394.9	Type	No	Large Enterprises	51	Medium Enterprises	41	Small & Micro Enterprises	11,036	Small & Micro Individuals	3,447	<p>3.1 Registration risk: Medium Taxpayers registered in some tax heads but not registered in other taxes which they are eligible</p> <p>3.2 Filing risk: High - Missing tax returns - Late filing of tax returns</p> <p>3.3 Payment risk: High • The majority of arrears are associated with high risk small & micro enterprises and high-risk large enterprises with RWF 1,217,374,730 and 658,036,200 respectively. • Total Arrears: RWF 3,034,101,399 (tax year 2021)</p> <p>3.4 Inaccurate and incomplete reporting risk: High - Understatement of exports - Non declaration of gains from disposal (sale) of assets - Not charging VAT on disposal (sale) of assets - Wrong application of depreciation rates on assets - Expenses without supporting documents - Expenses declared not related to the tax period in which it was incurred - Declaration of non-deductible expenses - Expensing fines and penalties - Expenses not related to the business - Expensing VAT (total invoice VAT inclusive) - Non apportionment of input VAT (in case of taxable and exempted sales) - Not withholding 15% on payments made to unregistered suppliers - Benefit in kind not charged PAYE - Differences between staff costs declared in profit and loss account as per RRA returns and staff costs in trial balance - Non declaration of PAYE of 15% for casual laborers - Understatement of income/sales - Understatement of EBM invoice - Discrepancy between the turnover declared on CIT and VAT - Wrong amount of losses carried forward</p>		<p>4.1 Education Develop literature and distribute education materials explaining tax requirements Conduct education seminars for manufacturing enterprises and individuals on tax requirements Conduct advisory visits Coordinate with the Rwanda Private Sector Federation (PSF) to:</p> <ul style="list-style-type: none"> • Better understand noncompliance • Communicate with enterprises and individuals in the sector <p>4.2 Detection Carryout tax audits to risky taxpayers Data analysis to identify non-compliance (underreporting) cases Develop sector notes for manufacturing sector Pattern analysis of the production of manufacturers based on their raw materials Analysis to identify local manufacturers not complying with duty remission scheme regulations</p> <p>4.3 Enforcement Monitoring non fillers and non-payers Automated SMS to remind of filing and payment obligations Enforcement of tax arrears</p>
Tax Type	Revenue Billion	Tot. Rev. Billion																							
CIT/PIT	3.7	147.3																							
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Type	No																								
Large Enterprises	51																								
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Small & Micro Enterprises	11,036																								
Small & Micro Individuals	3,447																								

- Charging withholding of 15% on net amount instead of gross amount
- Cost of sales without supporting documents
- Overstated cost of sales
- Overstatement of stock
- Commissions expensed and included in the purchase price (duplication)- Acquiring services subject to VAT reverse charge from a person who resides outside Rwanda while that nature of service is sourced in Rwanda
- Destroyed, damaged and expired goods without confirmation report from competent authorities
- Shareholders equity injected into the company considered as loans but not fulfilling the characteristics of loans
- VAT on rental income not declared
- Difference between CIT declared and EBM report
- Difference between VAT declared and EBM report
- Not withholding 15% related to interest on loan from individual
- Not withholding 10% related to interest on foreign loans
- Application of wrong exchange rates on payments made in foreign currencies
- Not withholding 15% on payments to sub-contractors

5. Compliance Indicators

- No. of taxpayer registrants as a % of identifiable
- % increase in on-time filing and decrease in missing returns
- % changes in sector tax revenue against GDP
- % increase in CIT/PIT
- % decrease in total arrears
- % decrease in income losses

7. Capacity Development

Staff Development DTD specialized sector: manufacturing

6. Workflows

Type/Number of Actions		Taxpayer Risk category			
		High Risk	Medium Risk	Key Tax-payers	Lower Risk
Large Taxpayers	Advisory Visits	2			
	Comprehensive Audits				
	Debt collection Actions				
Medium Taxpayers	Advisory Visits	20			
	Comprehensive Audits				
	Debt collection Actions				
Small Taxpayers	Advisory Visits	24			
	Debt collection Actions				

Media

No	Owner	Due By	Media spots	Description
1	CG	01-JUL-22	Launching of compliance improvement plan	Providing information to the public on tax compliance improvement plan. Communicate compliance issues found in the four core compliance areas on general compliance intervention and targeted sectors/areas.
2	TPS&C	30-SEPT-22	Publish education materials/brochures for the manufacturing sector on RRA website	Communicate tax obligations, compliance risks in the manufacturing sector and their treatments.

Literature

No	Owner	Due By	Literature	Description
3	RM&DA and TPS&C	25-SEPT-22	Tax Compliance for manufacturing sector	Develop education materials/brochures describing basic tax obligations and specific issues related to manufacturing sector

Community interaction

No	Owner	Due By	Interaction	Description
4	TPS&C, RM&DA, DTD and CSD	07-OCT-22	The Private Sector Federation (PSF)	Introduce the tax compliance improvement plan concepts, agree terms for mutual support and encourage authority to coordinate industry meetings and workshops.
5	TPS&C, RM&DA and DTD	11-OCT-22	Tax Advisors	Introduce the tax compliance improvement plan concepts and agree terms for mutual support.

No	Owner	Due By	Seminar	Description
6	TPS&C, RM&DA and DTD	13-OCT-22	Tax compliance for manufacturing sector (Large and Medium taxpayers) at Kigali	<p>Communicate the current tax compliance improvement plan, tax obligations and discuss compliance risks and their treatments. Focus on;</p> <ul style="list-style-type: none"> - Non filling and late filling
7		18-OCT-22	Tax compliance for manufacturing sector (Small taxpayers) at Kigali	<ul style="list-style-type: none"> - Non-payment and late payment - Understatement of exports - Non declaration of gains from disposal (sale) of assets
8		07-FEB-23	Tax compliance for manufacturing sector in the Northern Province	<ul style="list-style-type: none"> - Not charging VAT on disposal (sale) of assets - Wrong application of depreciation rates on assets
9		14-FEB-23	Tax compliance for manufacturing sector in the Western Province	<ul style="list-style-type: none"> - Expenses without supporting documents - Expenses declared not related to the tax period in which it was incurred - Declaration of non-deductible expenses
10		21-FEB-23	Tax compliance for manufacturing sector in the Southern Province	<ul style="list-style-type: none"> - Expensing fines and penalties - Expenses not related to the business
11		28-FEB-23	Tax compliance for manufacturing sector in the Eastern Province	<ul style="list-style-type: none"> - Expensing VAT (total invoice VAT inclusive) - Non apportionment of input VAT (in case of taxable and exempted sales) - Not withholding 15% on payments made to unregistered suppliers - Benefit in kind not charged PAYE - Differences between staff costs declared in profit and loss account as per RRA returns and staff costs in trial balance - Non declaration of PAYE of 15% for casual laborers - Understatement of income/sales

No	Owner	Due By	Seminar	Description
6	TPS&C, RM&DA and DTD	13-OCT-22	Tax compliance for manufacturing sector (Large and Medium taxpayers) at Kigali	- Understatement of income/sales - Understatement of EBM invoice
7		18-OCT-22	Tax compliance for manufacturing sector (Small taxpayers) at Kigali	- Discrepancy between the turnover declared on CIT and VAT - Wrong amount of losses carried forward - Charging withholding of 15% on net amount instead of gross amount
8		07-FEB-23	Tax compliance for manufacturing sector in the Northern Province	- Cost of sales without supporting documents - Overstated cost of sales - Overstatement of stock
9		14-FEB-23	Tax compliance for manufacturing sector in the Western Province	- Commissions expensed and included in the purchase price (duplication) - Acquiring services subject to VAT reverse charge from a person who resides outside Rwanda while that nature of service is sourced in Rwanda
10		21-FEB-23	Tax compliance for manufacturing sector in the Southern Province	- Destructed, damaged and expired goods without confirmation report from competent authorities
11		28-FEB-23	Tax compliance for manufacturing sector in the Eastern Province	- Shareholders equity injected into the company considered as loans but not fulfilling the characteristics of loans - VAT on rental income not declared - Difference between CIT declared and EBM report - Difference between VAT declared and EBM report - Not withholding 15% related to interest on loan from individual - Not withholding 10% related to interest on foreign loans - Application of wrong exchange rates on payments made in foreign currencies - Not withholding 15% on payments to sub contractors

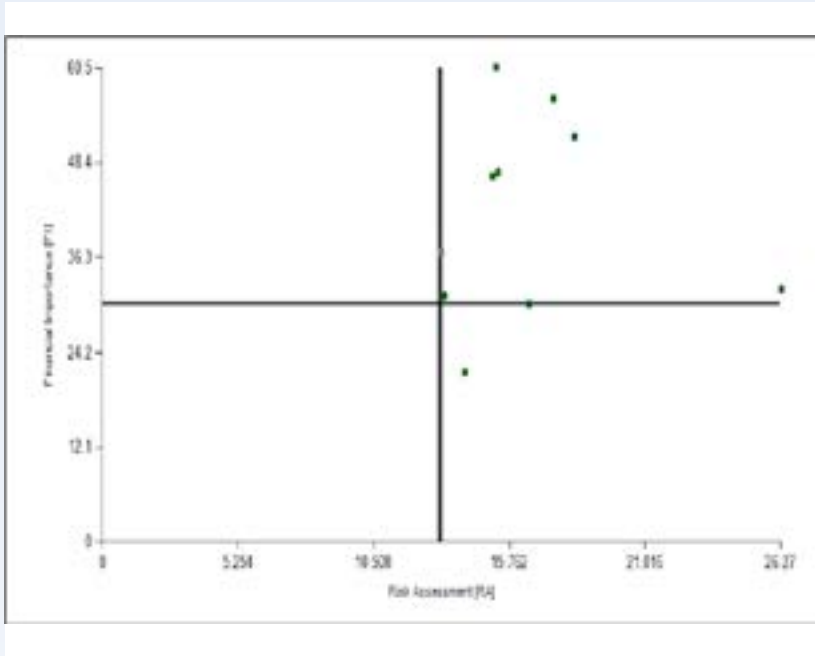
Advisory visits

No	Owner	Due By	Taxpayer segment	High risk	Medium risk	Key Taxpayers	Low risk
12	DTD	31-DEC-22	Large Taxpayers	8			
			Medium Taxpayers	20			
			Small Taxpayers	24			

8.1.2 Real Estate Sector: Large and Small Taxpayer Segments

The real estate sector is a significant growing sector. The sector contributes 0.7% of total CIT/PIT, 1.3% of total VAT and 0.4% of total PAYE (Calendar year 2021). The sector contributed 6% to the total GDP in the year 2021. The study "Profitability of business activity benchmarking for the period 2015-2020" indicates that "Buying, selling, renting and operating of self-owned or leased real estate" activity had the average pretax profit margin of -58,6 with the standard deviation of 100,5 for large Taxpayers. "Management of real estate on a fee or contract basis" activity had the average pretax profit margin of -35,1 with the Standard deviation of 84,4 for large Taxpayers. "Real estate activities with own or leased property" had the average pretax profit margin of -12,7 with the standard deviation of 34,9 for small Taxpayers.

Figure 7: RDF results for real estate sector (Large Enterprises)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Tax\Arrears	Brown
\Tax\CIT	Green
\Tax\Filing	Red
\Tax\MULTITAX	Purple
\Tax\Payment	Yellow
\Tax\Reference	Black
\Tax\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	
Total Supplies	
Total Income	
Total Arrears	
Total Losses	
Total Payments	
% Share of Collections	

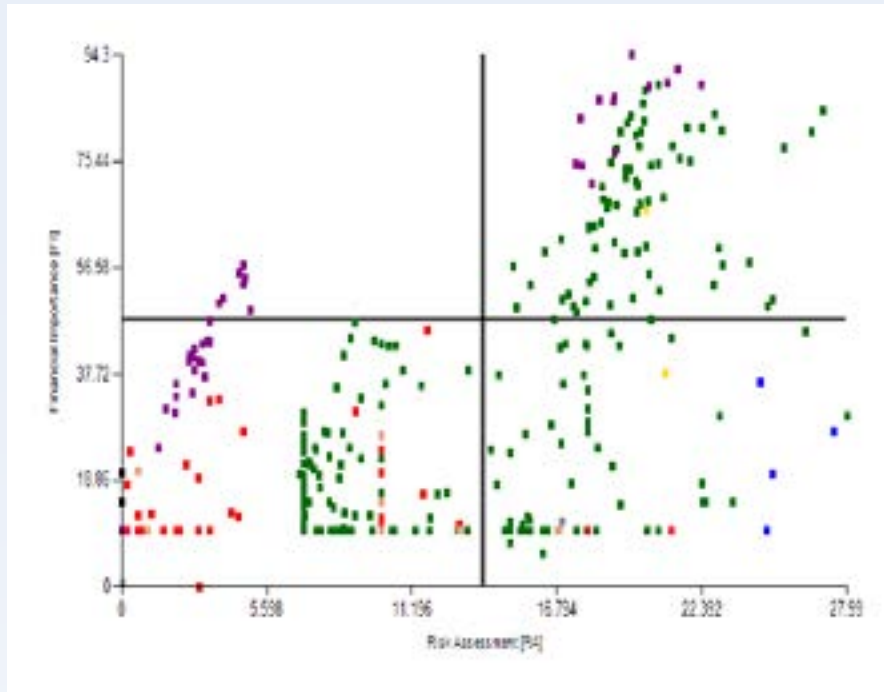
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	
Total Supplies	
Total Income	
Total Arrears	
Total Losses	
Total Payments	
% Share of Collections	

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs	1	10
\Tax\CIT	9	90

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	9
Total Supplies	RF29,698,187,928
Total Income	RF50,473,865,639
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF3,173,187,353
% Share of Collections	98%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	1
Total Supplies	RF708,060,420
Total Income	RF708,060,420
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF71,634,887
% Share of Collections	2%

Figure 8: RDF results for real estate sector (Small and Micro Enterprises)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Tax\Arrears	Gold
\Tax\CIT	Green
\Tax\Filing	Red
\Tax\MULTITAX	Purple
\Tax\Payment	Yellow
\Tax\Reference	Black
\Tax\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>7</u>
Total Supplies	RF1,775,029,892
Total Income	RF0
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF451,328,997
% Share of Collections	11%

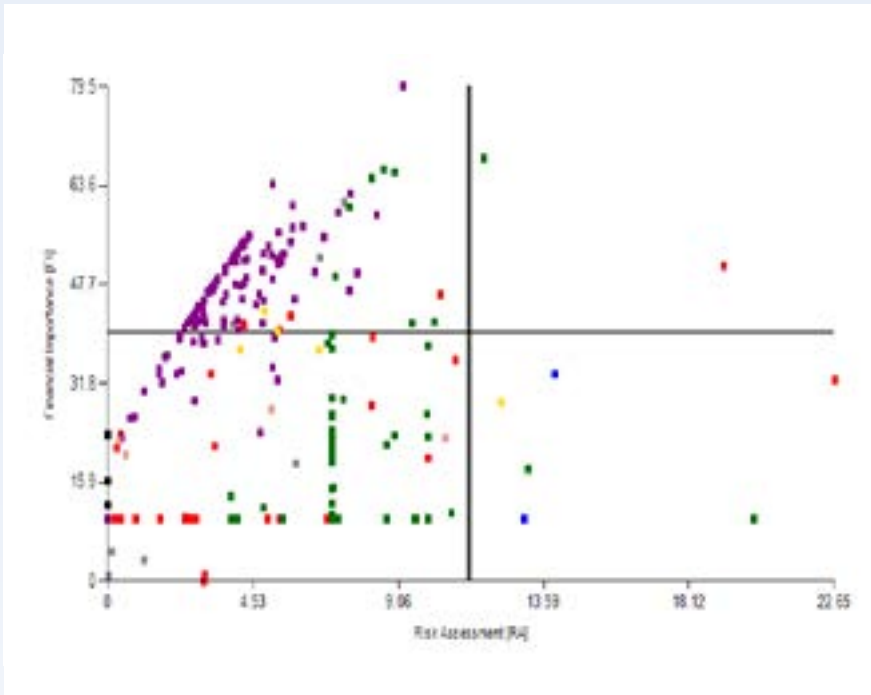
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>86</u>
Total Supplies	RF29,268,093,089
Total Income	RF31,712,164,941
Total Arrears	RF21,302,127
Total Losses	RF0
Total Payments	RF3,286,104,461
% Share of Collections	81%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>768</u>
Total Supplies	RF825,180,093
Total Income	RF454,955,729
Total Arrears	RF5,581,834
Total Losses	RF0
Total Payments	RF199,699,497
% Share of Collections	5%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>148</u>
Total Supplies	RF270,992,076
Total Income	RF682,781,488
Total Arrears	RF17,169,161
Total Losses	RF0
Total Payments	RF116,872,992
% Share of Collections	3%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs	2	0.2
\Tax\CIT	502	49.85
\Tax\Filing	449	44.59
\Tax\MULTITAX	41	4.07
\Tax\Payment	2	0.2
\Tax\Revision	7	0.7
\Tax\VAT	4	0.4

Figure 9: RDF results for real estate sector (Small and Micro Individuals)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Tax\Arrears	Brown
\Tax\Filing	Red
\Tax\MULTITAX	Purple
\Tax\Payment	Yellow
\Tax\PIT	Green
\Tax\Reference	Black
\Tax\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>114</u>
Total Supplies	RF9,830,785,661
Total Income	RF265,068,483
Total Arrears	RF1,975,076
Total Losses	RF0
Total Payments	RF1,218,095,201
% Share of Collections	93%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>2</u>
Total Supplies	RF95,637,420
Total Income	RF34,408,522
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF16,677,763
% Share of Collections	1%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>392</u>
Total Supplies	RF565,417,451
Total Income	RF120,387,770
Total Arrears	RF12,660,038
Total Losses	RF0
Total Payments	RF80,497,974
% Share of Collections	6%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>6</u>
Total Supplies	RF258,929,471
Total Income	RF0
Total Arrears	RF43,736,676
Total Losses	RF0
Total Payments	RF804,122
% Share of Collections	0%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs	9	1.78
\Tax\Filing	233	46.05
\Tax\MULTITAX	128	25.3
\Tax\Payment	5	0.99
\Tax\PIT	125	24.7
\Tax\Revision	4	0.79
\Tax\VAT	2	0.4

Compliance Strategy: Real Estate Sector (Large and Small Taxpayers)

1. Strategy Overview:	The real estate sector is the significant growing sector. The sector contributes 0.7% of total CIT/PIT, 1.3% of total VAT and 0.4% of total PAYE (Calendar year 2021). The sector contributed 6% to the total GDP in the year 2021. The key considerable compliance risk is underreporting. Risks will be treated through significant number of advisory visits, education seminars, tax audits and enforcement of tax arrears.					
2. Segment Profile						
2.1 Amount / type of tax revenue:	Tax Type		Revenue Billion	Tot. Rev. Billion		
	Billion	Tot.Rev.	147.3			
	Billion	7.3	555.3			
	PAYE	1.5	394.9			
Total tax collection represents: CIT/PIT – 0.7% VAT – 1.3% PAYE – 0.4% *Calendar year 2021						
2.2 Number / type of taxpayers:	Type	No				
	Large Enterprises	10				
	Large Individuals	1				
	Medium Enterprises	2				
	Medium Individuals	6				
	Small and Micro Enterprises	1,009				
	Small and Micro Individuals	514				
3. Key Compliance Risks	3.1 Registration risk:		Medium			
	Taxpayers registered in some tax heads but not registered in other taxes which they are eligible					
	3.2 Filing risk:		Medium			
	Late filing and missing returns					
	3.3 Payment risk:		Medium			
	<ul style="list-style-type: none"> - Non-payment of taxes - Late payment of taxes 					
	3.4 Inaccurate and incorrect reporting risk:		High			
	<ul style="list-style-type: none"> - Expenses without supporting documents - Expenses not related to the business - Expensing fines and interest - Expensing shareholders and their family's medical insurance when they are not on the payroll - Expenses declared not related to the tax period in which it was incurred - Declaration of non-deductible expenses - Security deposits for rent expensed - VAT inclusive expensed - Wrong amount of losses carried forward - Differences between staff costs declared in profit and loss account as per RRA returns and staff costs in trial balance - Interest declared on shareholder's loans exceeding 4 times the amount of equity - Services on rent income declared on VAT but not on CIT - Default interests (charges on unpaid liabilities) - Overstatement of exempted sales - Not withholding 15% on payments made to unregistered supplies 					
5. Compliance Indicators	<ul style="list-style-type: none"> % increase in on-time filing and decrease in missing returns % changes in sector tax revenue against GDP % increase in total collections % increase in CIT/PIT % decrease in total arrears % decrease in income losses 					
4. Risk Treatments	4.1 Education					
	Develop literature and distribute education materials explaining tax requirements Conduct education seminars for real estate enterprises and individuals on tax requirements					
	Conduct advisory visits					
	Coordinate with Rwanda Private Sector Federation (PSF) to:					
	<ul style="list-style-type: none"> - Better understand non-compliance - Communicate with enterprises and individuals in the sector 					
	4.2 Detection					
	Carryout tax audits to risky taxpayers					
	Data analysis to identify non-compliance cases					
	4.3 Enforcement					
	Enforcement of tax arrears					
	Monitoring non fillers and non-payers					
	Automated SMS to remind of filing and payment obligations					
6. Workflows						
	Type/Number of Actions		Taxpayer Risk category			
			High Risk	Medium Risk	Key Tax-payers	Lower Risk
	Large Taxpayers	Advisory Visits	10			
		Comprehensive Audits				
		Debt collection Actions				
	Small Taxpayers	Advisory Visits	10			
		Debt collection Actions				
7. Capacity Development						

Literature

No	Owner	Due By	Literature	Description
1	RM&DA and TPS&C	25-SEPT-22	Tax Compliance for real estate sector	Develop education materials/brochures describe basic tax obligations and specific issues relating to real estate sector.

Media

No	Owner	Due By	Media spots	Description
2	TPS&C	30-SEPT-22	Publish education materials/brochures for the real estate sector on RRA website	Communicate tax obligations, compliance risks in the real estate sector and their treatments.

Education seminars

No	Owner	Due By	Seminar	Description
3	TPS&C, RM&DA and DTD	27-OCT-22	Tax compliance for real estate sector (Small taxpayers) at Kigali	Communicate the current compliance improvement plan, tax obligations, compliance risks and their treatments. Focus on;
4		07-FEB-23	Tax compliance for real estate sector in the Northern Province	- Expenses without supporting documents
5		14-FEB-23	Tax compliance for real estate sector in the Western Province	- Expenses not related to the business - Expensing fines and interest
6		21-FEB-23	Tax compliance for real estate sector in the Southern Province	- Expensing shareholders and their family's medical insurance when they are not on the payroll - Expenses declared not related to the tax period in which it was incurred
7		28-FEB-23	Tax compliance for real estate sector in the Eastern Province	- Declaration of non-deductible expenses - Security deposits for rent expensed - VAT inclusive expensed - Wrong amount of losses carried forward - Differences between staff costs declared in profit and loss account as per RRA returns and staff costs in trial balance - Interest declared on shareholder's loans exceeding 4 times the amount of equity - Services on rent income declared on VAT but not on CIT - Default interests (charges on unpaid liabilities) - Overstatement of exempted sales - Not withholding 15% on payments made to unregistered supplies

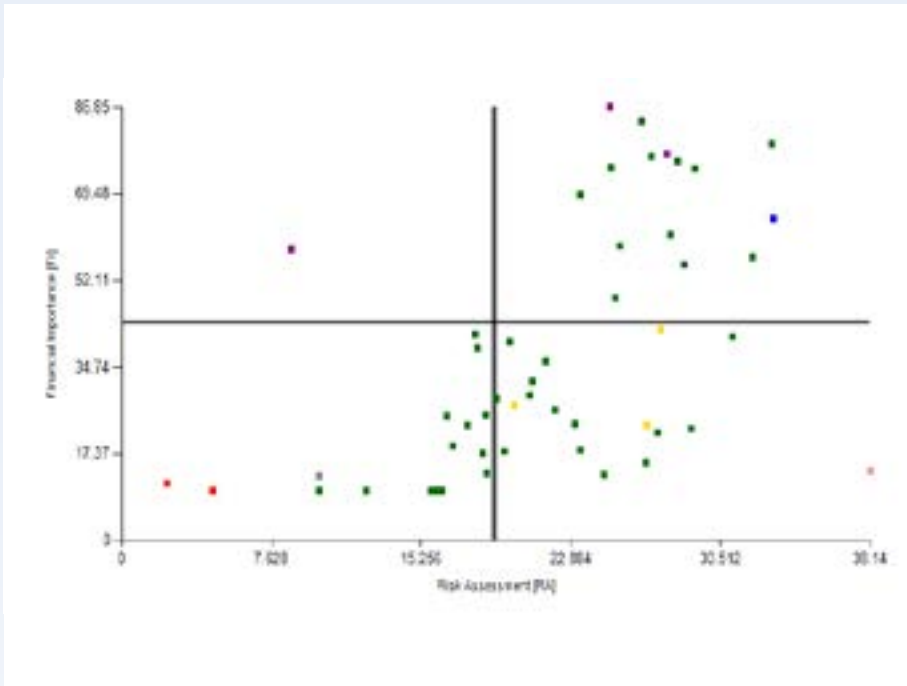
Advisory visits

No	Owner	Due By	Taxpayer segment	High risk	Medium risk	Key Taxpayers	Low risk
9	DTD	31-MAR-22	Large Taxpayers	10			
		31-MAR-22	Small Taxpayers	10			

8.1.3 Construction Sector: Medium Taxpayer Segment

The construction sector represents a significant share of the tax base. The sector contributes 3.4% of total CIT/PIT, 4.5% of total VAT and 2.7% of total PAYE (Calendar year 2021). On average the sector contributed 7% to the total GDP in the year 2021. The study "Profitability of business activity benchmarking for the period 2015-2020" indicates that "Building of complete constructions" activity had the average pretax profit margin of -122,9 with the standard deviation of 34,8 for medium Taxpayers and "provision of homes and furnished or unfurnished flats or apartments for more permanent use" activity had the average pretax profit margin of -170,8.

Figure 10: RDF results for construction sector (Medium Enterprises)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Tax\Arrears	Brown
\Tax\CIT	Green
\Tax\Filing	Red
\Tax\MULTITAX	Purple
\Tax\Payment	Yellow
\Tax\Reference	Black
\Tax\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers

Number of Taxpayers	1
Total Supplies	RF5,044,325,179
Total Income	RF0
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF1,208,260,521
% Share of Collections	46%

Quadrant 1: High Risk Taxpayers

Number of Taxpayers	15
Total Supplies	RF61,805,139,279
Total Income	RF63,171,918,774
Total Arrears	RF889,864,611
Total Losses	RF0
Total Payments	RF1,111,395,406
% Share of Collections	42%

Quadrant 4: Lower Risk Taxpayers

Number of Taxpayers	17
Total Supplies	RF1,865,037,291
Total Income	RF1,912,715,835
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF89,132,960
% Share of Collections	3%

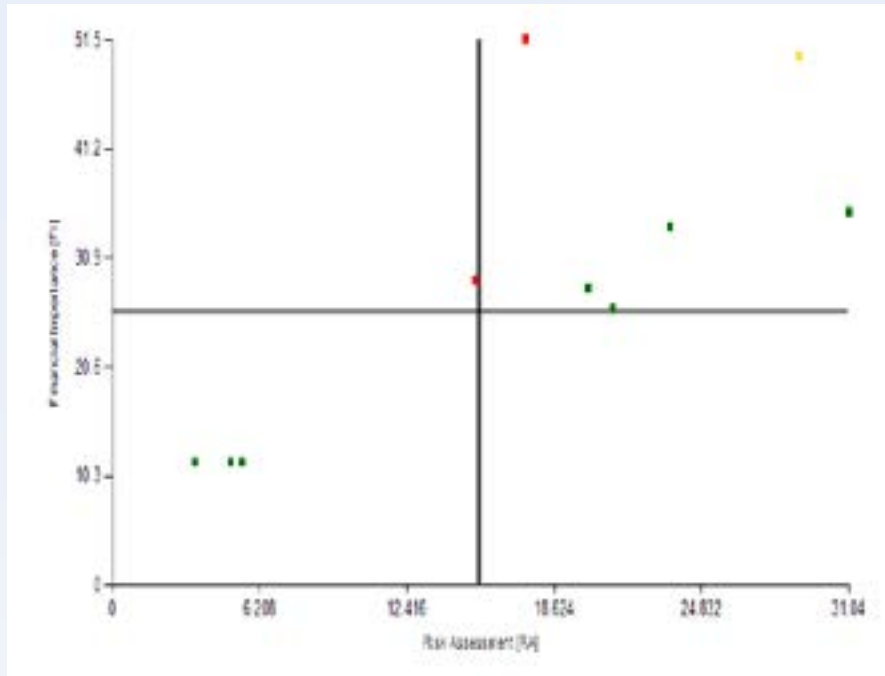
Quadrant 3: Medium Risk Taxpayers

Number of Taxpayers	18
Total Supplies	RF5,983,854,736
Total Income	RF5,977,656,444
Total Arrears	RF237,897,949
Total Losses	RF0
Total Payments	RF206,763,330
% Share of Collections	8%

Distribution of Profiles by Risk Category

Risk Assessment Category	#	%
\Customs	1	1.96
\Tax\CIT	40	78.43
\Tax\Filing	2	3.92
\Tax\MULTITAX	3	5.88
\Tax\Payment	3	5.88
\Tax\Revision	1	1.96
\Tax\VAT	1	1.96

Figure 11: RDF results for construction sector (Medium Individuals)



Profiles are highlighted in the colour of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category colour.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Tax\Arrears	Brown
\Tax\Filing	Red
\Tax\MULTITAX	Purple
\Tax\Payment	Yellow
\Tax\PIT	Green
\Tax\Reference	Black
\Tax\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	1
Total Supplies	RF230,130,466
Total Income	RF230,163,466
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF652,111
% Share of Collections	1%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	6
Total Supplies	RF2,215,558,048
Total Income	RF2,081,264,559
Total Arrears	RF13,430,329
Total Losses	RF0
Total Payments	RF60,511,203
% Share of Collections	99%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	3
Total Supplies	RF0
Total Income	RF0
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF0
% Share of Collections	0%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	
Total Supplies	
Total Income	
Total Arrears	
Total Losses	
Total Payments	
% Share of Collections	

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Tax\Filing	2	20
\Tax\Payment	1	10
\Tax\PIT	7	70

Compliance Strategy: Construction Sector (Medium Taxpayers)

1. Strategy Overview:

The construction sector represents a significant share of the tax base. The sector contributes 3.4% of total CIT/PIT, 4.5% of total VAT and 2.7% of total PAYE (Calendar year 2021). On average the sector contributed 7% to the total GDP in the year 2021. It is a high-risk sector for all core compliance categories of registration, filing, payment and reporting. The behaviour observed suggests a widespread culture of non-compliance. To break the culture, a well-coordinated media campaign will be initiated, compliance education seminar will be organized, advisory visits, tax audits and enforcement of tax arrears will be conducted.

2. Segment Profile

2.1 Amount / type of tax revenue:

Tax Type	Revenue Billion	Tot.Rev. Billion
CIT/PIT	5.0	147.3
VAT	25.2	555.3
PAYE	10.6	394.9

Total tax collection represents:

CIT/PIT – 3.4%

VAT – 4.5%

PAYE – 2.7%

*Calendar year 2021

2.2 Number / type of taxpayers

Type	No
Large Enterprises	22
Medium Enterprises	51
Medium Individuals	10
Small & Micro Enterprises	7,960
Small & Micro Individuals	965

3. Key Compliance Risks

3.1 Registration risk: High

Significant operating construction businesses not registered as Taxpayers
Taxpayers registered in some tax heads but not registered in other taxes which they are eligible

Significant number of inaccurate registrations

3.2 Filing risk: High

- Missing tax returns
- Late filing of tax returns

3.3 Payment risk: High

- Non payment
- Late payment

3.4 Inaccurate and incomplete reporting risk: High

- Including principal amount of loans in the interest declared
- Application of wrong depreciation rates on assets
- Differences between staff costs declared in profit and loss account as per RRA returns and staff costs in trial balance
- Staff costs declared greater than PAYE declared
- Benefit in kind not charged PAYE
- Not withholding 15% on payments made to unregistered supplies
- Expenses without supporting documents
- Declaration of non-deductible expenses (traffic fines)
- Non apportionment of expenses for private use from business expenses
- Wrong amount of losses carried forward
- Overstated withholding tax on public supplies/tenders
- Understatement of income

4. Risk Treatments

4.1 Education

- Develop literature and distribute education materials explaining tax requirements
- Conduct education seminars for construction enterprises and individuals on tax requirements
- Conduct advisory visits
- Coordinate with the Rwanda Institute of Engineers to:
 - Better understand noncompliance
 - Communicate with enterprises and individuals in the sector

4.2 Detection

- Carryout tax audits to risky taxpayers
- Data analysis to identify non-compliance cases

4.3 Enforcement

- Enforcement of tax arrears
- Monitoring non fillers and non-payers
- Automated SMS to remind of filing and payment obligations

- Undeclared sales: Difference between sales recorded on general ledger and sales declared
- Taxable sales declared as exempted
- Sales declared in VAT not declared in CIT
- Non apportionment in case of exempted and taxable sales
- Not withholding 15% on payments made to unregistered supplies
- Cost of sales without supporting documents
- Acquiring services subject to VAT reverse charge from a person who resides outside Rwanda while that nature of service is sourced in Rwanda
- Work in progress not declared in financial statements
- Overstatement of work in progress
- Declaration of work in progress VAT inclusive while input VAT was claimed and paid
- Not withholding 15% on casual laborers

5. Compliance Indicators

- No. of taxpayer registrants as a % of identifiable
- % increase in on-time filing and decrease in missing returns
- % changes in sector tax revenue against GDP
- % increase in CIT/PIT
- % decrease in total arrears
- % decrease in income losses

7. Capacity Development

Staff trainings: Administrative Tools
 DTD specialized sector: construction

6. Workflows

Type/Number of Actions		Taxpayer Risk category			
		High Risk	Medium Risk	Key Taxpayers	Lower Risk
Medium Taxpayers	Advisory visits	21			
	Comprehensive Audits				
	Debt collection Actions				

Literature

No	Owner	Due By	Literature	Description
1	RM&DA	30-SEPT-22	Tax Compliance for construction sector	Develop education materials/brochures describing basic tax obligations and specific compliance issues related to construction sector

Media

No	Owner	Due By	Media spots	Description
2	TPS&C	30-SEPT-22	Publish education materials/brochures for the construction sector on RRA website	Communicate tax obligations, compliance risks in the construction sector and their treatments.

Community interaction

No	Owner	Due By	Interaction	Description
3	TPS&C, RM&DA and DTD	25-OCT-22	The Rwanda Institute of Engineers	Introduce the tax compliance improvement plan concepts, agree terms for mutual support and encourage association to coordinate industry meetings and workshops

Education seminars

No	Owner	Due By	Seminar	Description
4	TPS&C, RM&DA and DTD	01-NOV-22	Tax compliance for construction sector (Medium taxpayers) at Kigali	<p>Communicate the current tax compliance improvement plan, tax obligations and discuss compliance risks and their treatments. Focus on;</p> <ul style="list-style-type: none"> - Non filling and late filling - Non payment and late payment
5		07-FEB-23	Tax compliance for construction sector (Medium taxpayers) in the Eastern Province	<ul style="list-style-type: none"> - Including principle amount of loans in the interest declared - Application of wrong depreciation rates on assets - Differences between staff costs declared in profit and loss account as per RRA returns and staff costs in trial balance:
76		14-FEB-23	Tax compliance for construction sector (Medium taxpayers) in the Northern Province	<ul style="list-style-type: none"> - Staff costs declared greater than PAYE declared - Benefit in kind not charged PAYE - Not withholding 15% on payments made to unregistered supplies
8		21-FEB-23	Tax compliance for construction sector (Medium taxpayers) in the Western Province	<ul style="list-style-type: none"> - Expenses without supporting documents - Declaration of non deductible expenses (traffic fines) - Non apportionment of expenses for private use from business expenses - Wrong amount of losses carried forward
9		28-FEB-23	Tax compliance for construction sector (Medium taxpayers) in the Southern Province	<ul style="list-style-type: none"> - Overstated withholding tax on public supplies/tenders - Understatement of income - Undeclared sales - Taxable sales declared as exempted - Sales declared in VAT not declared in CIT - Non apportionment in case of exempted and taxable sales - Not withholding 15% on payments made to unregistered supplies - Cost of sales without supporting documents - Acquiring services subject to VAT reverse charge from a person who resides outside Rwanda while that nature of service is sourced in Rwanda - Work in progress not declared in financial statements - Overstatement of work in progress - Declaration of work in progress VAT inclusive while input VAT was claimed and paid - Not withholding 15% on casual laborers

Advisory visits

No	Owner	Due By	Taxpayer segment	High risk	Medium risk	Key Taxpayers	Low risk
10	DTD	31-MAR-23	Medium Taxpayers	21			

8.2 CUSTOMS (INTERNATIONAL TRADE TAXES)

The compliance actions for Customs services (international trade taxes) will focus on Importers dealt with high risk commodities, Importers who imported goods from high risk origin, Traders who benefited EAC duty remission scheme (Exemption), selectivity criteria with highest hit rate and Customs brokers (Clearing Agencies). To be able to map Importers and Customs brokers into risk quadrants the following risk metrics were used:

a) Risk metrics for Importers: All risky areas targeted

FINANCIAL IMPORTANCE METRICS	RISK ASSESSMENT METRICS
CIF – 15%	Percentage of amendment (Declarations) – 25%
Tax paid – 50%	Percentage of uplift (Amount) – 75%
Number of transactions – 5%	
Number of transactions modified – 10%	
Initial amount – 10%	
Amount modified – 10%	

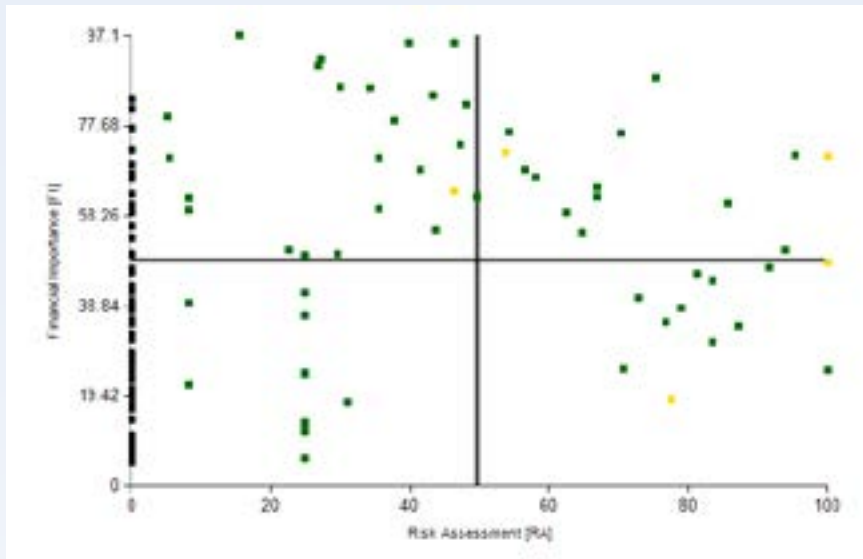
b) Risk metrics for Customs Brokers (Clearing Agencies)

FINANCIAL IMPORTANCE INDICATORS	RISK ASSESSMENT INDICATORS
CIF – 25%	Percentage of amendment (Declarations) – 75%
Number of transactions – 25%	Percentage of uplift (Amount) – 25%
Number of transactions modified – 40%	
Initial amount – 5%	
Amount modified – 5%	

The compliance actions will be categorized into community interaction, media, education seminars, advisory visits and tax audits. This part shows the Risk Differentiation Frameworks (RDFs) and compliance actions for Customs services.

8.2.1 Importers dealt with high risk commodities

Figure 12: RDF results for importing companies dealt with high risk commodities



Profiles are highlighted in the color of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category color.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Customs\Dec	Green
\Customs\Tax	Yellow
\Customs\Taxpaid	Red

Quadrant 2: Key Taxpayers	
Number of Taxpayers	39
Total CIF	RF4,560,601,010
Total TAXPAID	RF3,629,501,958
Total Number of Declaration	209
Total Number of Modified declarations	64
Total Additional amount	116366210
Total Initial amount	3513135748

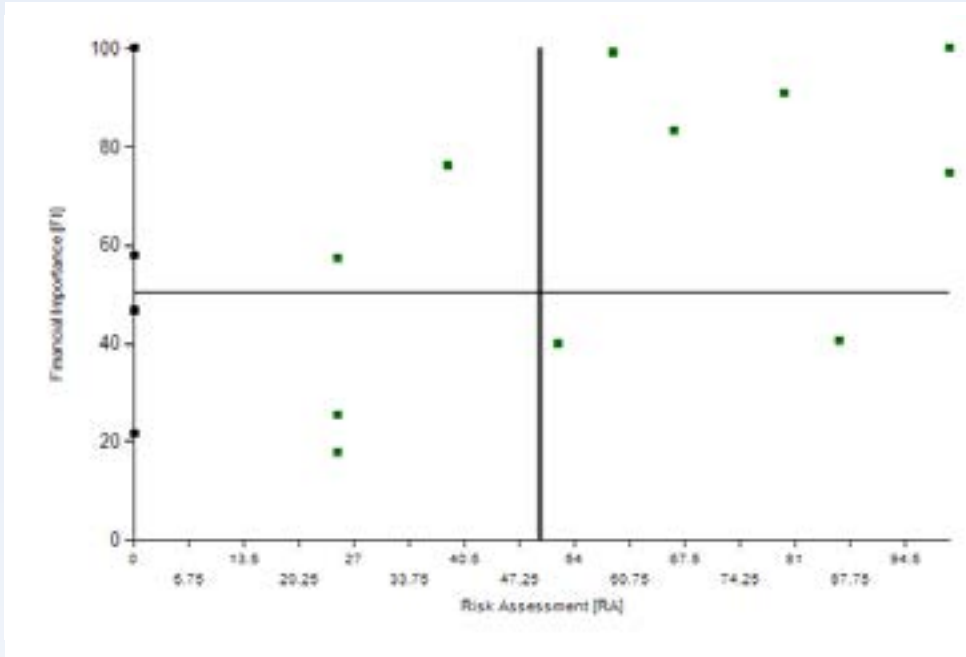
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	14
Total CIF	RF272,202,894
Total TAXPAID	RF287,469,521
Total Number of Declaration	33
Total Number of Modified declarations	26
Total Additional amount	128462380
Total Initial amount	159007141

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	53
Total CIF	RF47,461,081
Total TAXPAID	RF32,741,976
Total Number of Declaration	81
Total Number of Modified declarations	13
Total Additional amount	6566
Total Initial amount	32735410

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	12
Total CIF	RF8,216,864
Total TAXPAID	RF7,257,110
Total Number of Declaration	24
Total Number of Modified declarations	22
Total Additional amount	5074781
Total Initial amount	2182329

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	57	91.94
\Customs\Tax	5	8.06

Figure 13: RDF results for individual Importers dealt with high risk commodities



Profiles are highlighted in the color of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category color.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Customs\Dec	Green
\Customs\Tax	Yellow
\Customs\Taxpaid	Red

Quadrant 2: Key Taxpayers	
Number of Taxpayers	4
Total CIF	RF426,773
Total TAXPAID	RF410017
Total Number of Declaration	4
Total Number of Modified declarations	2
Total Additional amount	49965
Total Initial amount	360052

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	5
Total CIF	RF28,686,848
Total TAXPAID	RF31,406,006
Total Number of Declaration	7
Total Number of Modified declarations	7
Total Additional amount	5226702
Total Initial amount	26179304

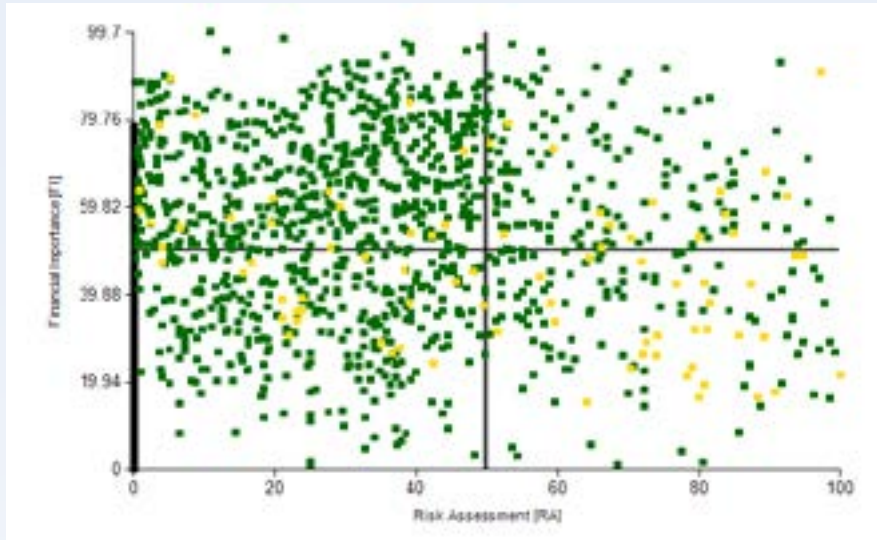
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	4
Total CIF	RF116,095
Total TAXPAID	RF125,139
Total Number of Declaration	4
Total Number of Modified declarations	2
Total Additional amount	0
Total Initial amount	125139

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	2
Total CIF	RF58,865
Total TAXPAID	RF50,865
Total Number of Declaration	2
Total Number of Modified declarations	2
Total Additional amount	30230
Total Initial amount	20635

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	11	100

8.2.2 Importers importing commodities from high risk origin (Countries)

Figure 14: RDF results for companies importing from high risk origin



Profiles are highlighted in the color of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category color.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Customs\Dec	Green
\Customs\Tax	Yellow
\Customs\Taxpaid	Red

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>743</u>
Total CIF	RF282,484,094,839
Total TAXPAID	RF55,911,921,123
Total Number of Declaration	20557
Total Number of Modified declarations	6046
Total Additional amount	5525861603
Total Initial amount	50386059520

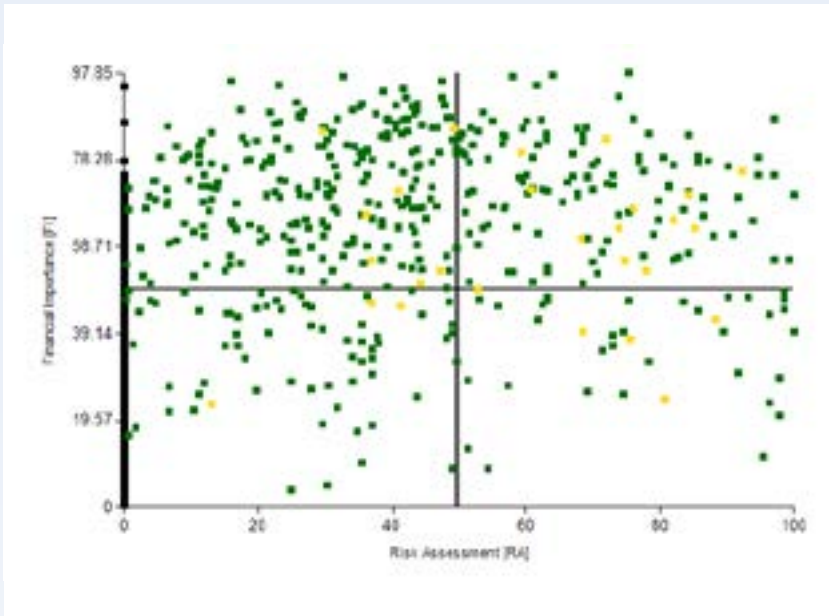
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>162</u>
Total CIF	RF19,808,245,381
Total TAXPAID	RF6,546,296,055
Total Number of Declaration	2512
Total Number of Modified declarations	2147
Total Additional amount	3385041971
Total Initial amount	3161254084

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>1,303</u>
Total CIF	RF31,246,122,864
Total TAXPAID	RF1,738,858,897
Total Number of Declaration	6963
Total Number of Modified declarations	816
Total Additional amount	128557425
Total Initial amount	1610301472

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>133</u>
Total CIF	RF639,090,450
Total TAXPAID	RF237,738,254
Total Number of Declaration	535
Total Number of Modified declarations	444
Total Additional amount	146486690
Total Initial amount	91251564

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	1082	92.8
\Customs\Tax	84	7.2

Figure 15: RDF results for individuals importing from high risk origin



Profiles are highlighted in the color of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category color.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Customs\Dec	Green
\Customs\Tax	Yellow
\Customs\Taxpaid	Red

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>328</u>
Total CIF	RF18,312,943,899
Total TAXPAID	RF7,472,009,836
Total Number of Declaration	4533
Total Number of Modified declarations	1627
Total Additional amount	884541122
Total Initial amount	6587468714

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>126</u>
Total CIF	RF2,862,163,369
Total TAXPAID	RF1,399,972,965
Total Number of Declaration	1177
Total Number of Modified declarations	1019
Total Additional amount	816425067
Total Initial amount	583547898

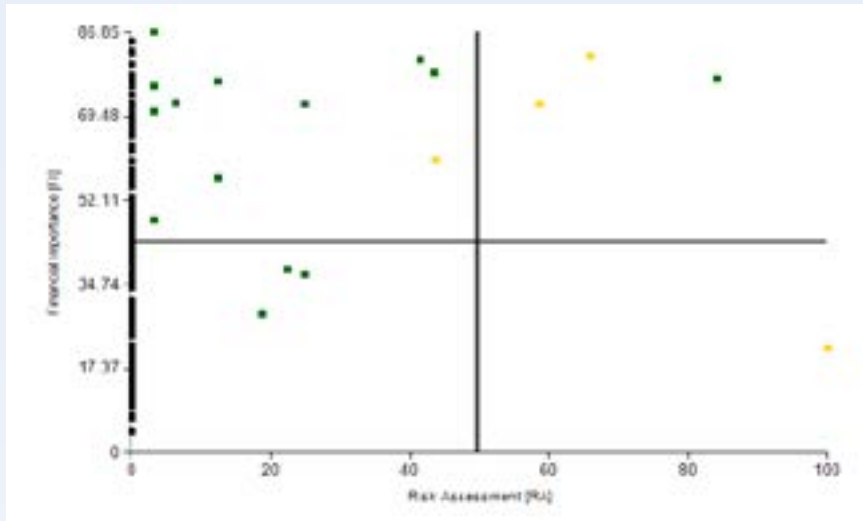
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>575</u>
Total CIF	RF1,093,278,032
Total TAXPAID	RF162,545,740
Total Number of Declaration	2165
Total Number of Modified declarations	115
Total Additional amount	6726132
Total Initial amount	155819608

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>38</u>
Total CIF	RF40,993,428
Total TAXPAID	RF19,141,267
Total Number of Declaration	85
Total Number of Modified declarations	79
Total Additional amount	13595363
Total Initial amount	5545904

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	437	94.18
\Customs\Tax	27	5.82

8.2.3 Importers who benefited EAC duty remission scheme (CPC: R19)

Figure 16: RDF results for importing companies benefited EAC duty remission scheme



Profiles are highlighted in the color of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category color.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Customs\Dec	Green
\Customs\Tax	Yellow
\Customs\Taxpaid	Red

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>63</u>
Total CIF	RF173,712,238,570
Total TAXPAID	RF917,848,048
Total Number of Declaration	2006
Total Number of Modified declarations	15
Total Additional amount	1514615
Total Initial amount	916333433

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>66</u>
Total CIF	RF23,096,653,327
Total TAXPAID	RF34,630,643
Total Number of Declaration	468
Total Number of Modified declarations	3
Total Additional amount	12886
Total Initial amount	34617757

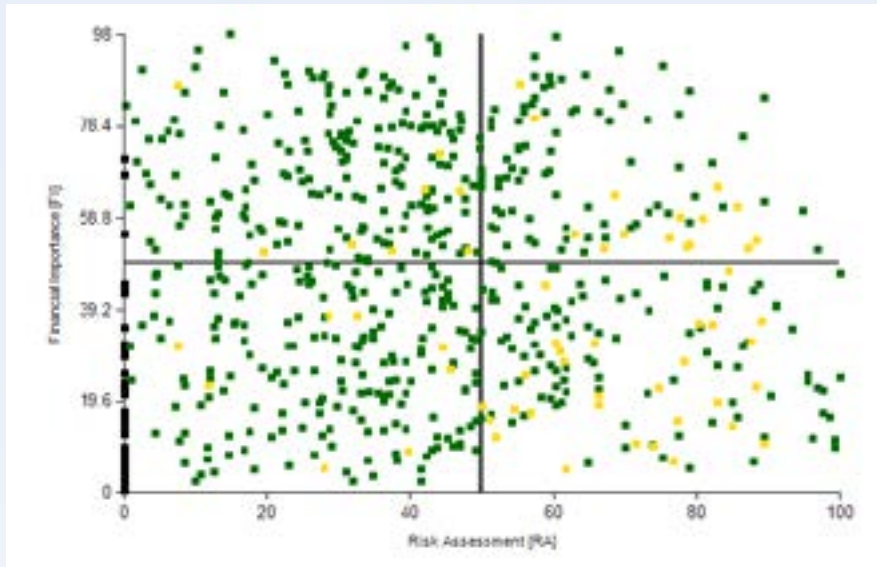
Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	14	77.78
\Customs\Tax	4	22.22

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>3</u>
Total CIF	RF2,554,743,947
Total TAXPAID	RF17,677,601
Total Number of Declaration	106
Total Number of Modified declarations	9
Total Additional amount	3111788
Total Initial amount	14565813

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>1</u>
Total CIF	RF35,291,102
Total TAXPAID	RF69,884
Total Number of Declaration	2
Total Number of Modified declarations	1
Total Additional amount	3215
Total Initial amount	66669

8.2.4 Selectivity criteria with highest hit rate (importers on selectivity lists of Yellow category A and Red category A)

Figure 17: RDF results for importing companies in selectivity criteria with highest hit rate



Profiles are highlighted in the color of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category color.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Customs\Dec	Green
\Customs\Tax	Yellow
\Customs\Taxpaid	Red

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>204</u>
Total CIF	RF70,425,938,913
Total TAXPAID	RF21,442,729,417
Total Number of Declaration	3289
Total Number of Modified declarations	1681
Total Additional amount	4366746802
Total Initial amount	17075982615

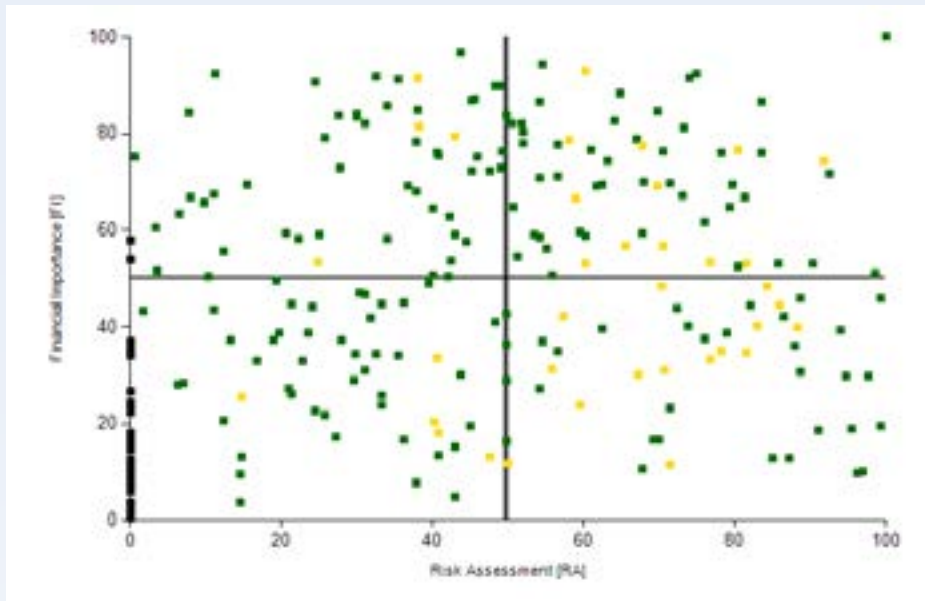
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>93</u>
Total CIF	RF18,638,956,193
Total TAXPAID	RF8,599,726,634
Total Number of Declaration	1110
Total Number of Modified declarations	890
Total Additional amount	3870891954
Total Initial amount	4728834680

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>342</u>
Total CIF	RF5,201,487,946
Total TAXPAID	RF1,846,817,147
Total Number of Declaration	1308
Total Number of Modified declarations	529
Total Additional amount	423915613
Total Initial amount	1422901534

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>127</u>
Total CIF	RF2,408,538,399
Total TAXPAID	RF1,055,763,160
Total Number of Declaration	515
Total Number of Modified declarations	386
Total Additional amount	630632674
Total Initial amount	425130486

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	554	90.23
\Customs\Tax	60	9.77

Figure 18: RDF results for individual Importers in selectivity criteria with highest hit rate



Profiles are highlighted in the color of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category color.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Customs\Dec	Green
\Customs\Tax	Yellow
\Customs\Taxpaid	Red

Quadrant 2: Key Taxpayers	
Number of Taxpayers	56
Total CIF	RF5,448,140,071
Total TAXPAID	RF2,216,704,897
Total Number of Declaration	792
Total Number of Modified declarations	355
Total Additional amount	568403507
Total Initial amount	1648301390

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	164
Total CIF	RF448,644,029
Total TAXPAID	RF205,032,074
Total Number of Declaration	392
Total Number of Modified declarations	136
Total Additional amount	39313383
Total Initial amount	165718691

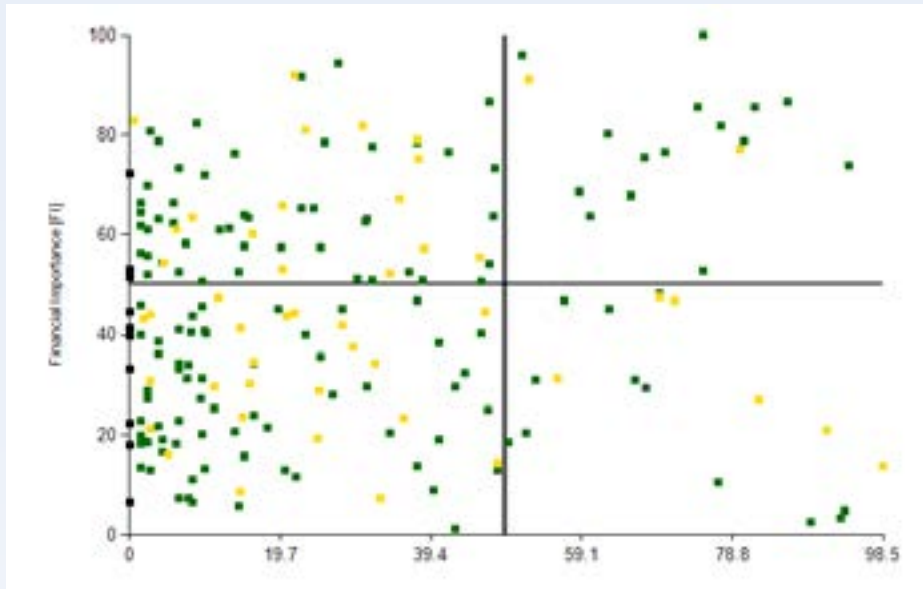
Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	172	82.3
\Customs\Tax	37	17.7

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	58
Total CIF	RF3,678,562,192
Total TAXPAID	RF1,804,226,672
Total Number of Declaration	579
Total Number of Modified declarations	434
Total Additional amount	828547460
Total Initial amount	975679212

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	44
Total CIF	RF311,088,444
Total TAXPAID	RF149,897,497
Total Number of Declaration	142
Total Number of Modified declarations	104
Total Additional amount	101213872
Total Initial amount	48683625

8.2.5 Customs Brokers (Clearing Agencies)

Figure 19: RDF results for Customs Brokers



Profiles are highlighted in the color of the category associated with their most prominent risk metric.

For example, if the most prominent risk metric in a profile is in the VAT category, the profile will be highlighted in the VAT category color.

The purpose of this approach is to, at a glance, visualize the key issues associated with the selected taxpayers.

Legend	
\Customs	Grey
\Customs\Dec	Green
\Customs\Tax	Yellow

Quadrant 2: Key Taxpayers	
Number of Brokers	<u>68</u>
Total CIF	RF1,170,584,212,188
Total Number of Declaration	63296
Total Number of Modified Declaration	5879

Quadrant 1: High Risk Taxpayers	
Number of Brokers	<u>17</u>
Total CIF	RF264,481,405,489
Total Number of Declaration	13204
Total Number of Modified Declaration	5337

Quadrant 4: Lower Risk Taxpayers	
Number of Brokers	<u>92</u>
Total CIF	RF388,853,817,633
Total Number of Declaration	19838
Total Number of Modified declarations	1550

Quadrant 3: Medium Risk Taxpayers	
Number of Brokers	<u>19</u>
Total CIF	RF20,684,304,170
Total Number of Declaration	2411
Total Number of Modified declarations	840

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	136	73.51
\Customs\Tax	49	26.49

Compliance strategy: Importers and Customs Brokers

1. Strategy Overview:

All categories of compliance risk are a concern. A significant culture of non-compliance exists throughout the trading community. Classification, description and valuation are problematic. The plan for improvement will focus on education seminars, publishing statistics of clearance time (time release), advisory visits to review and advice on taxpayer operations, warning letters to clearing agents appeared in high risk quadrant in two consecutive years, tax audits and enforcement of tax arrears.

2. Segment Profile

2.0 Criteria for inclusion:

All active traders

2.1 Number / Type of Entries:

Type	#	CIF/FOB Amount
EX1	26,065	1125.4b
EX2	195	38.7b
EX3	29,834	490.9b
EX8	3	0.1b
EXS1	775	0.5b
IM4	130,380	2639.8b
IM5	671	465.0b
IM6	102	2.3b
IM7	1,710	47.5b
IM8	15,133	516.8b
IMS4	23,698	4.9b
WH7	27,042	1470.9b
Total	255,608	6803.0b

3. Key Compliance Risks

3.0 General Risk:

High

Exceeding quantity declared
 False declaration of origin
 Import through non authorized route
 Misclassification of goods
 Non reported goods
 Prohibited – restricted goods
 Under valuation of goods
 Wrong commercial description
 Wrong CPC
 Pervasive culture of noncompliance among brokers
 Significant culture of noncompliance among traders
 Inadequate feedback captured from examination:
 • Offense codes are optional on Inspection Act form

4. Risk Treatments

4.1 Education

Education seminars to Importers and Clearing agents
 Conduct advisory visits to review and advise on taxpayers' operations
 Coordinate with the Private Sector Federation to facilitate compliance awareness

4.2 Support

Advance rulings, making people more aware of the process

4.3 Simplification or process improvement

Increase the number of facilitated companies under Gold card scheme and AEO benefiting blue channel treatment

4.4 Detection

Carryout tax audits to high risky importers

4.5 Enforcement

Writing a warning letter to every clearing agent appeared in high risk quadrant in two consecutive years
 Enforcement of tax arrears
 Publish lane statistics of clearance time (time release) for all clearing agencies on quarterly basis

2. Segment Profile	3. Key Compliance Risks	4. Risk Treatments																													
<p>2.2 Type / Amount of Revenue:</p> <table border="1" data-bbox="156 247 308 406"> <thead> <tr> <th>Type</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>IMPORTS DUTY</td> <td>106.5b</td> </tr> <tr> <td>VAT</td> <td>201.2b</td> </tr> <tr> <td>EXCISE DUTY</td> <td>93.3b</td> </tr> <tr> <td>WHT</td> <td>31.0b</td> </tr> <tr> <td>IDL</td> <td>16.1b</td> </tr> <tr> <td>TOTAL DUTY & TAXES</td> <td>503.6</td> </tr> </tbody> </table> <p>*Statistics from calendar year 2021. All values in RWF.</p>	Type	No	IMPORTS DUTY	106.5b	VAT	201.2b	EXCISE DUTY	93.3b	WHT	31.0b	IDL	16.1b	TOTAL DUTY & TAXES	503.6	<p>3.1 Classification Risk: High Intentional misclassification on advice of clearing agents Significant lack of classification knowledge in the business community</p> <p>3.2 Valuation Risk: High Pervasive, intentional use of false supporting documents Incomplete and inaccurate valuation data</p> <p>3.3 Other Reporting Risk: High Intentional falsification of country of origin Intentional falsification of customs procedure codes (CPC) Pervasive "misdescription" of goods on declarations</p>	<p>4.4 Detection Carryout tax audits to high risky importers</p> <p>4.5 Enforcement Writing a warning letter to every clearing agent appeared in high risk quadrant in two consecutive years Enforcement of tax arrears Publish lane statistics of clearance time (time release) for all clearing agencies on quarterly basis</p>															
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<p>7. Capacity Development</p>	<p>5. Compliance Indicators</p> <ul style="list-style-type: none"> % increase in overall ASYCUDA World hit rates % increase in overall lane performance % decrease of importers of high risk commodities from Q1 to Q2 % decrease of importers from high risk origin from Q1 to Q2 % decrease of brokers from Q1 to Q2 % decrease of importers in red category A and yellow category A from Q1 to Q2 % increase in issuance of advanced rulings <p>Staff trainings: Customs laws Customs specialized sector: e-commerce, intellectual property right, supply chain management and transfer pricing Import & export procedures (port operations & single Customs Territory) Trade facilitation (Valuation, rules of origin, tariff, OSBP and duty remission)</p>	<p>6. Workflows</p> <table border="1" data-bbox="906 544 1422 751"> <thead> <tr> <th rowspan="2">Type/Number of Actions</th> <th colspan="4">Taxpayer Risk category</th> </tr> <tr> <th>High Risk</th> <th>Medium Risk</th> <th>Key Taxpayers</th> <th>Lower Risk</th> </tr> </thead> <tbody> <tr> <td>Advisory Visits</td> <td>23</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Issue Oriented Audits</td> <td>210</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Comprehensive Audits</td> <td>98</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Debt collection actions</td> <td colspan="4">85% of total recoverable Customs tax arrears</td> </tr> </tbody> </table>	Type/Number of Actions	Taxpayer Risk category				High Risk	Medium Risk	Key Taxpayers	Lower Risk	Advisory Visits	23				Issue Oriented Audits	210				Comprehensive Audits	98				Debt collection actions	85% of total recoverable Customs tax arrears			
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Comprehensive Audits	98																														
Debt collection actions	85% of total recoverable Customs tax arrears																														

Community interaction

No	Owner	Due By	Interaction	Description
1	TPS&C, RM&DA, DTD and CSD	07-OCT-22	The Private Sector Federation (PSF)	Introduce the compliance improvement plan concepts, agree terms for mutual support and encourage the federation to coordinate meetings and workshops with high risk importers.
2	TPS&C, RM & DA and CSD	08-NOV-22	Rwanda Freight Forwarders Association (RWAFFA)	Introduce the tax compliance improvement plan concepts, agree terms for mutual support and encourage the association to coordinate meetings and workshops of Customs brokers.
3	CSD	26-JAN-23	Recognize compliant clearing agents on World Customs day	Publicly recognize Customs brokers for good compliance on an annual basis
4	RM&DA and CSD	31-JAN-23	Clearing agents appeared in high risk quadrant in two consecutive years	Writing a warning letter to every clearing agent appeared in high risk quadrant in two consecutive years

Education seminars

No	Owner	Due By	Media spots	Description
5	TPS&C, RM & DA and CSD	10-NOV-22	Tax compliance for high risk Importing companies	<p>Communicate the current tax compliance improvement plan, tax obligations, specific issues related to declaration of imports, high risk commodities, high risk origin, selectivity criteria with highest hit rate and their treatments. Focus specifically on;</p> <ul style="list-style-type: none"> · Exceeding quantity declared · False declaration of origin · Import through non authorized route · Misclassification of goods · Non reported goods · Prohibited – restricted goods · Under valuation of goods · Pervasive “misdescription” of goods on declarations · Wrong CPC · Pervasive, intentional use of false supporting documents · Ten most risky commodities; - Petroleum products/ Lubricants (HS Code: 27101951; 34031900 & 34039900) - Hand bags (HS Code:4202)
6		15-NOV-22	Tax compliance for high risk Individual Importers	
7		17-NOV-22	Tax Compliance for clearing agencies	

No	Owner	Due By	Media spots	Description
5	TPS&C, RM & DA and CSD	10-NOV-22	Tax compliance for high risk Importing companies	<ul style="list-style-type: none"> - Cables (HS Code: 8714) - Vehicle's spare parts (HS Code: 8708) - Padlocks and locks (HS Code: 8301) - Liquors and Wines (HS Codes 2204; 2205; 2206 for Wine, 2208 for liquors) - Men's or boys' suits (HS Code: 6103) - Shoes (HS Codes: 6401; 6402; 6403 & 6405) - Woven Fabrics (HS Code: 5514) - Tiles (HS Codes: 6901)
6		15-NOV-22	Tax compliance for high risk Individual Importers	
7		17-NOV-22	Tax Compliance for clearing agencies	

Media

No	Owner	Due By	Media spots	Description
8	RM&DA, CSD and TPS&C	Quarterly basis	Focus on time spent in clearance for all clearing agencies	Publish lane statistics of time spent in clearance (time release) for all clearing agencies on quarterly basis

Advisory visits

No	Owner	Category	Due By	High risk	Medium risk	Key Taxpayers	Low risk
9	CSD	Importers	31 - DEC-22	23			

9. CONCLUSION

The RRA Tax Compliance Improvement Plan 2022-2023 is critical to RRA's mission. Its ultimate goal is not to find non-compliance but to prevent non-compliance. RRA will continue to place its customers at the forefront and further ensure the provision of quality service which will stimulate voluntary compliance. RRA will continue to streamline its operations, create new and innovative ideas and channel its communication methods to improve the overall Tax Administration. Change is constant and should be embraced, therefore it is imperative that RRA will continue to plan ahead, think 'outside the box' and adapt to the ever-changing environment. RRA will remain innovative in transforming its core business in a manner that keeps pace with changes in technology, business and other management practices to meet the expectations of Rwandans.



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