



RWANDA REVENUE AUTHORITY
TAXES FOR GROWTH AND DEVELOPMENT

TAX COMPLIANCE IMPROVEMENT PLAN

(2023-2024)

JUNE 2023

RRA VISION STATEMENT

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

RRA MISSION STATEMENT

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

RRACORE VALUES

- We are Customer-focused;
- We act with Integrity;
- We are Accountable;
- We work as a Team;
- We are Professional.

FOREWORD



We are pleased to introduce the RRA tax Compliance Improvement Plan for the year 2023/2024. This Compliance Improvement Plan is fundamental as it outlines, at the highest level in line with our strategic direction, the compliance approaches we will be using during this fiscal year in our efforts to improve compliance with tax legislation.

This Tax Compliance Improvement Plan demonstrates how RRA, as a Tax and Customs Administrator adopts the same to improve voluntary tax compliance. It outlines specific strategies by focusing particular attention on areas which our researches and risk analysis model and tools have shown pose a significantly higher risk of non-compliance.

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 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 focus on wholesale and retail trade and manufacturing 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).

The areas earmarked for attention in this publication are of course not the only areas we will be working on. We will continue with our usual work in detecting and deterring non-compliance through the use of our risk engines, third party data and other sources of information which help us to identify non-compliance. In externally publishing our compliance improvement plan we seek to inform taxpayers, tax practitioners and stakeholders of existing taxation compliance challenges and RRA's refreshed approach at addressing these challenges. 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

AEO	Authorised Economic Operator
CIF:	Cost Insurance and Freight
CIT:	Corporate Income Tax
CPC:	Customs Procedure Code
CSD:	Customs Services Department
DTD:	Domestic Taxes Department
EACCMA:	East African Community Customs Management Act
EBM:	Electronic Billing Machine
OECD:	Organization for Economic Co-operation and Development
PAYE:	Pay As You Earn
PIT:	Personal Income Tax
PSF:	Private Sector Federation
RDF:	Risk Differentiation Framework
RSB:	Rwanda Standards Board
RRA:	Rwanda Revenue Authority
TADAT:	Tax Administration Diagnostic Assessment Tool
VAT:	Value Added Tax

1

INTRODUCTION

The Primary goal of a revenue authority is to collect taxes payable in accordance with the law and to do this in such a manner that will sustain confidence in the tax system and its administration. 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 are 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 outlines how RRA is going to achieve this.

A tax compliance improvement plan is a high level plan which brings together in a single document a description of the most significant compliance risks identified in the tax system and sets out the broad detail of how the revenue agency intends to respond to those risks. The development of a tax compliance improvement plan allows a revenue agency to systematize its compliance risk identification, risk prioritization, and compliance strategy planning and delivery in a way that ensures a focus on the most significant issues and makes best use of available resources across functional areas. It also provides a transparent and defensible record of the process by which the revenue agency's compliance plans have been formulated (i.e., why resources have been devoted to particular risks in preference to others).

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

In the past, revenue bodies used the command-and-control approach. Since the end of the last century, revenue bodies have shifted the focus to risk management and take action only if there is a real risk to address. A modern compliance strategy focuses on giving each taxpayers' category the appropriate attention. Compliant behaviour requires a different response to non-compliant behaviour. Compliant behaviour requires support, while non-compliant behaviour may require severe action, depending on the cause.

Since the establishment of Rwanda Revenue Authority, numerous activities have been implemented to enhance Taxpayers' compliance in registration, filling of tax returns, payment of taxes and accurate reporting.

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. 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. RRA has so far developed and implemented seven (7) 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 on to two main aspects that is; general and specific compliance interventions.

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 wide range of measures aimed at the underlying causes of the noncompliance 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 2023-2024 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.

The tax legislation is comprehensive and complex but from an overall point of view the obligations of the taxpayers are categorized into the following four compliance requirements:

- **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:

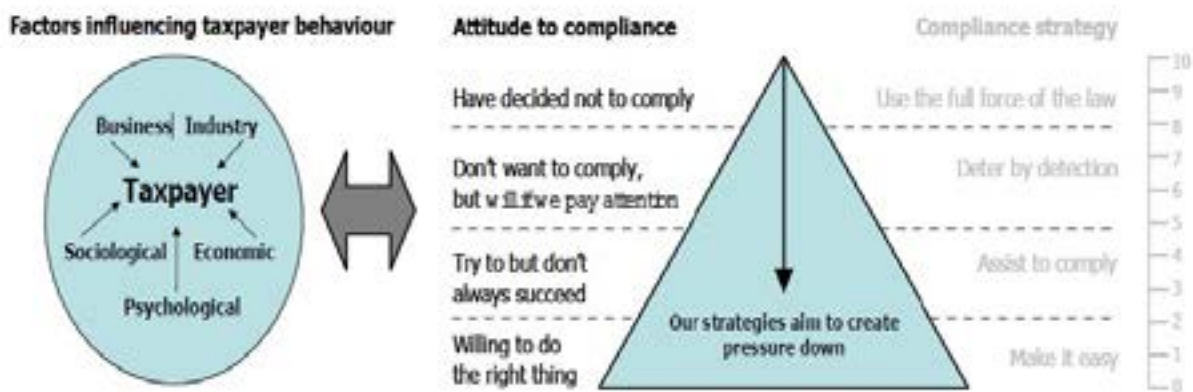


Figure 1: Compliance model

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

While the overall compliance climate is showing improvement, we know that we need to continuously focus our efforts on not just sustaining the levels of willing compliance, but on creating a climate that is increasingly conducive to full compliance by all taxpayers. To do this we need to constantly monitor the compliance levels of taxpayers, traders and other stakeholders in order to pin-point areas of high or low compliance and then to understand the drivers of this good or bad behavior so that we can devise appropriate strategies in line with our compliance approach to sustain or alter the behavior as required. To ensure our Compliance Improvement Plan is broad and inclusive, and that we explicitly focus on changing the compliance landscape, the following approaches were used to detect noncompliance:

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 for targeted sectors

Study:

- Economic sector performance and tax compliance (2022)

Risk Differentiation Framework (RDF):

RRA adopted the Risk Differentiation Framework (RDF) tool made up of four different quadrants (groups) that contain taxpayers with common behaviours as per risk perspective. RDF tool helps to frame taxpayers' risk levels using different metrics.

Quadrant 1: Higher Risk Taxpayers

Quadrant 2: Key Taxpayers

Quadrant 3: Medium Risk Taxpayers

Quadrant 4: Lower Risk Taxpayers

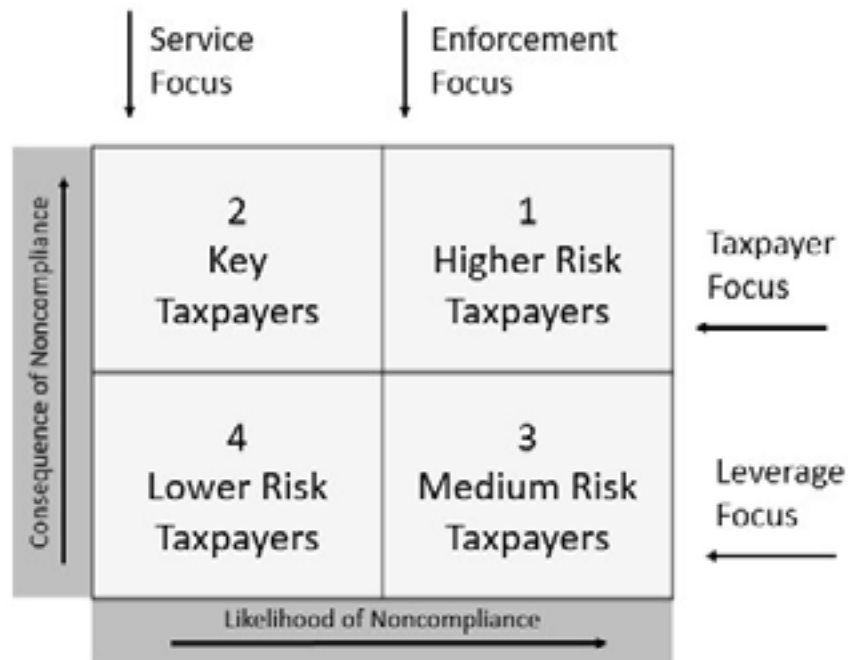


Figure 2: RRA Risk Differentiation Framework

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 2023-2024 will focus into the following areas.

i) General compliance intervention:

- Registration
- Filing
- Payment
- Complete and accurate reporting

ii) Specific compliance intervention:

Domestic Taxes

- Wholesale & retail trade sector
- Manufacturing sector

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 rate
- Customs brokers (Clearing agencies)
-

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 2023-2024 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 in all core areas of tax compliance, all taxpayer segments and all core tax heads that is VAT, CIT/PIT, PAYE and Excise duty.

Compliance Strategy: General Compliance Intervention

Key Compliance Risks	Risk Treatments
<p>1. Registration risk: High</p> <ul style="list-style-type: none"> • Significant number of 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; • 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 purchases eligible for CIT/PIT and/or VAT but not registered; • Potential buyers eligible for CIT/PIT and/or VAT but do not disclose their TIN at supplier's Point of sale (POS); • Taxpayers with trading license but not registered in income tax. 	<p>1. Education</p> <ul style="list-style-type: none"> • Education seminars to new registered taxpayers; • Communication campaigns on different tax issues; • Produce and disseminate practice notes; • Prepare and publish rulings on RRA website. <p>2. Support</p> <ul style="list-style-type: none"> • Extend Customer relationship management system to One Stop Service Centre (OSSC) and EBM functions; • Sensitise and facilitate taxpayers on adoption of electronic invoicing system.

<p><u>2. Filing risk:</u> High</p> <ul style="list-style-type: none"> • Many small Taxpayers lack understanding of tax obligations; • Late filing and missing returns. 	<p><u>3. Detection</u></p> <ul style="list-style-type: none"> • Assess & identify potential taxpayers to be registered; • Identify risk cases on public tenders; • Risk analysis for high risky products and services for CSD & DTD; • Comparative analysis between VAT input claimed by buyers and VAT output declared by suppliers; • Identify most risky taxpayers not filing and paying on time for engagement; • Tax audits to risky taxpayers; • Develop a web-based dashboard for monitoring tax gap; • Develop a web-based dash board for indicators that show the evolution of taxes, registration status and EBM adoption.
<p><u>3. Payment risk:</u> High</p> <ul style="list-style-type: none"> • Late payment and non-payment of due taxes. 	
<p><u>4. Inaccurate and incomplete reporting risk:</u> High</p> <ul style="list-style-type: none"> • 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><u>4. Enforcement</u></p> <ul style="list-style-type: none"> • Taxpayers' recruitment on central taxes; • Taxpayers' recruitment on decentralized taxes; • Identify, monitor and follow up non-fillers and non-payers; • Enforcement of tax arrears; • Leverage on EBM risk rules to carry out EBM enforcement activities; • EBM field enforcement operations in Kigali and Provinces; • Automated SMS to remind of filing and payment obligations.

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 Wholesale & retail trade and manufacturing sectors. 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 risk metrics in the following table were used.

The process starts by providing a weight to each metric where the total weight should be equal to 100 points for each dimension. Metrics are ranked in terms of Likelihood and Impact. Percentiles are computed on each taxpayer and each metric followed by calculating the point. Points (score) are then distributed to different quadrants.

DTD Risk metrics

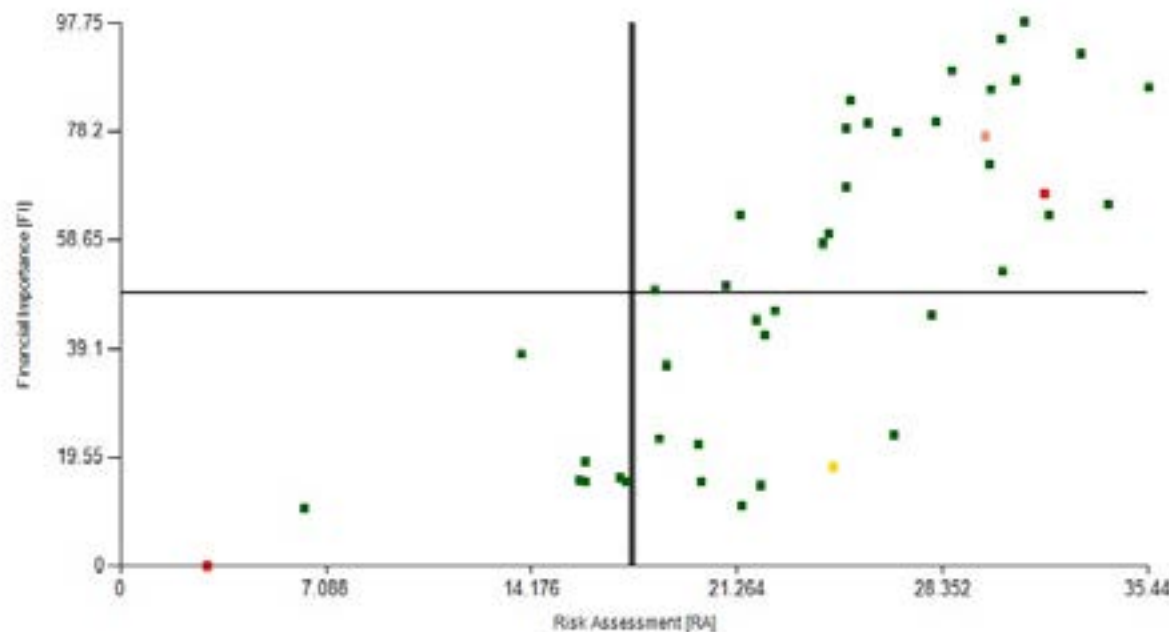
FINANCIAL IMPORTANCE METRICS	RISK ASSESSMENT METRICS
Income – 30%	Effective Tax Rate – 7%
Total Supplies – 35%	Ratio: Purchases to Supplies – 5%
Arrears – 10%	Ratio Payments Liabilities (All) – 5%
Payments (All Accounts) – 15%	Ratio VAT Input Output – 8%
Losses for Year – 5%	Ratio Payments Liabilities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

The Wholesale and retail trade sector represents a significant share of the tax base. The sector contributes 1.8% of total CIT/PIT, 6.4% of total VAT and 3.7% of total PAYE (Calendar year 2022). The sector contributed 10% to the total GDP in the year 2022.

Figure 3: RDF results for wholesale & retail trade 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\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	

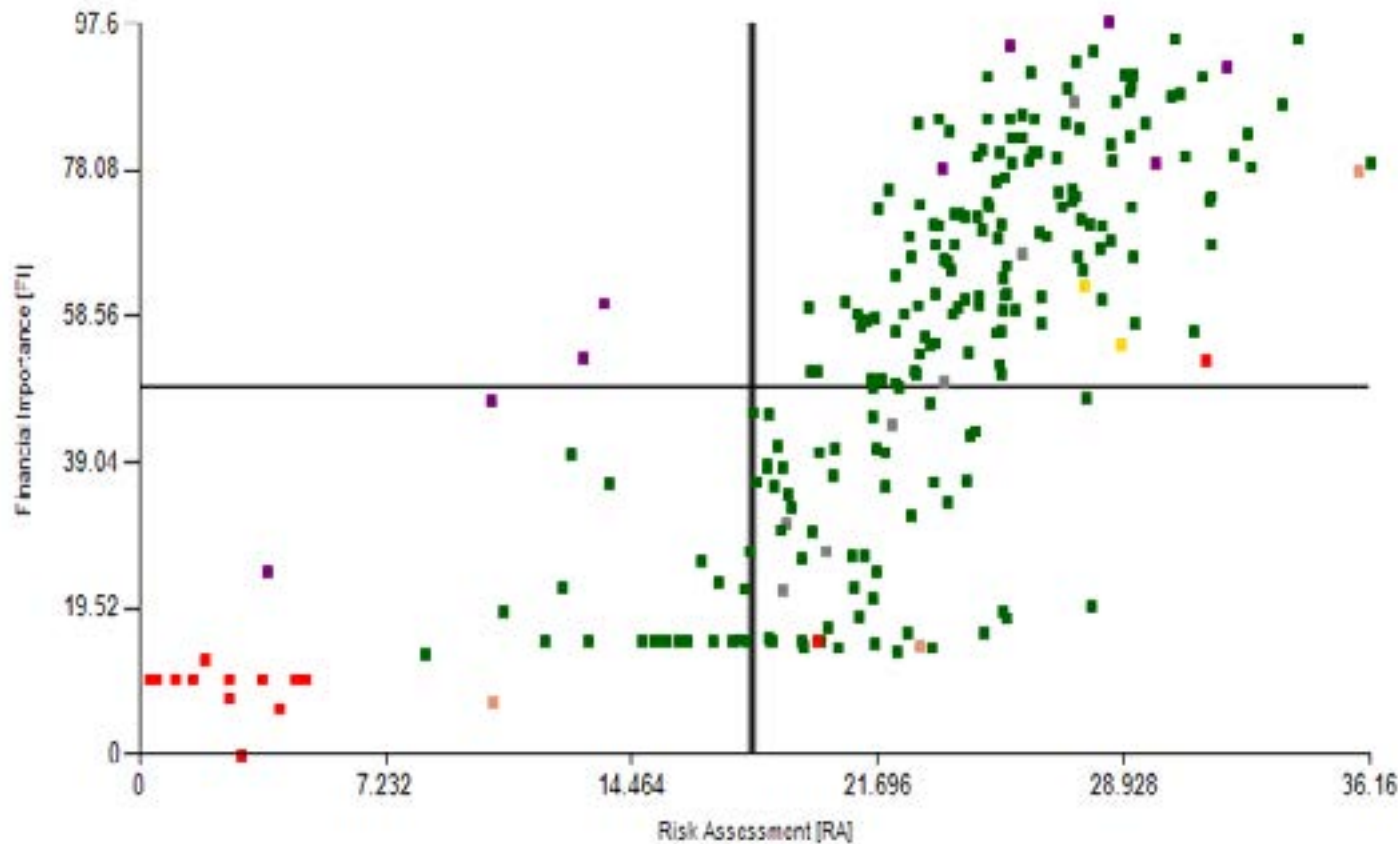
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	24
Total Supplies	RF1,131,698,218,897
Total Income	RF1,138,478,013,209
Total Arrears	RF0
Total Losses	(RF12,517,319,000)
Total Payments	RF17,028,751,026
% Share of Collections	90%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	8
Total Supplies	RF2,179,784,718
Total Income	RF2,180,149,683
Total Arrears	RF40
Total Losses	(RF169,640,000)
Total Payments	RF554,321,441
% Share of Collections	3%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	12
Total Supplies	RF32,359,169,914
Total Income	RF14,343,371,308
Total Arrears	RF31,710,988
Total Losses	(RF9,997,596,000)
Total Payments	RF1,316,831,613
% Share of Collections	7%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Tax\CIT	40	90.91
\Tax\Filing	2	4.55
\Tax\Payment	1	2.27
\Tax\Revision	1	2.27

Figure 4: RDF results for wholesale & retail trade 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\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	2
Total Supplies	RF46,085,204,045
Total Income	RF0
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF130,074,833
% Share of Collections	1%

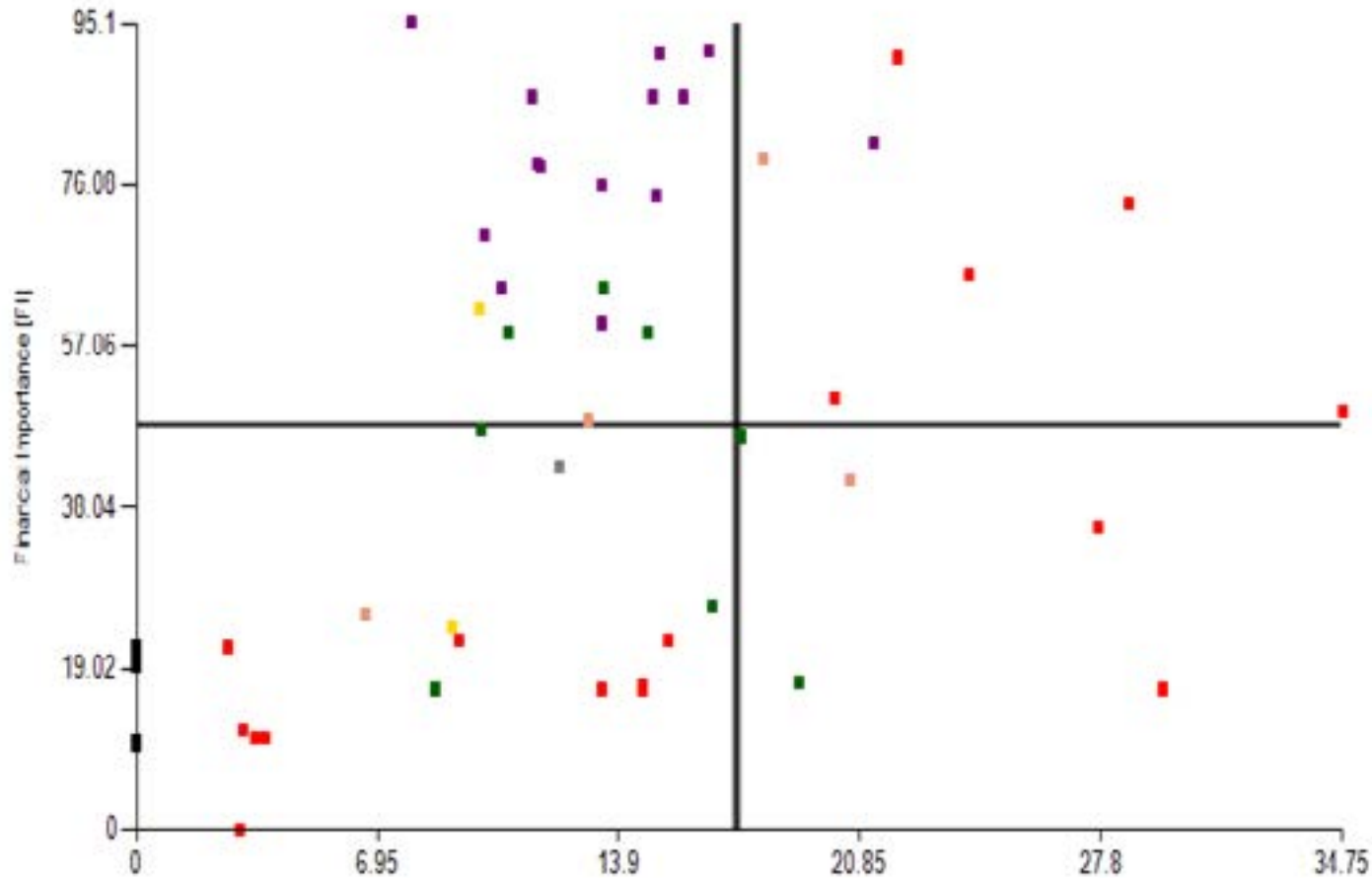
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	144
Total Supplies	RF983,080,048,498
Total Income	RF1,013,645,448,615
Total Arrears	RF164,354,173
Total Losses	(RF21,864,664,000)
Total Payments	RF10,155,192,244
% Share of Collections	89%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	64
Total Supplies	RF4,494,569,825
Total Income	RF2,795,365,302
Total Arrears	RF16,017,992
Total Losses	(RF591,346,000)
Total Payments	RF369,150,309
% Share of Collections	3%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	56
Total Supplies	RF15,160,498,588
Total Income	RF20,370,812,129
Total Arrears	RF115,562,444
Total Losses	(RF9,348,845,000)
Total Payments	RF768,825,080
% Share of Collections	7%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs	7	2.63
\Tax\CIT	216	81.2
\Tax\Filing	29	10.9
\Tax\MULTITAX	9	3.38
\Tax\Payment	2	0.75
\Tax\Revision	3	1.13

Figure 5: RDF results for wholesale & retail trade 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\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	18
Total Supplies	RF84,623,221,131
Total Income	RF84,879,437,807
Total Arrears	RF94,175,368
Total Losses	(RF28,036,000)
Total Payments	RF1,433,714,185
% Share of Collections	73%

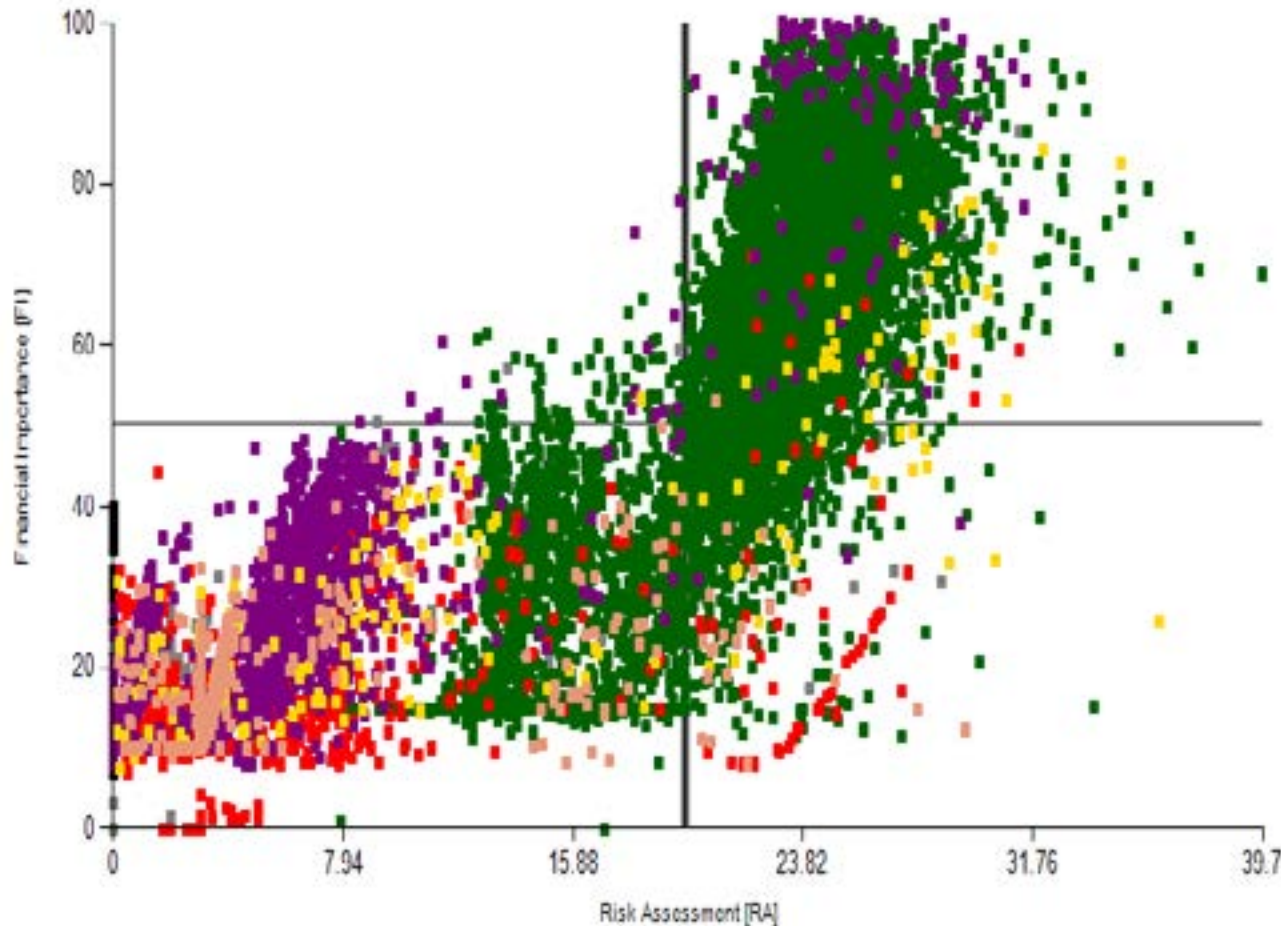
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	7
Total Supplies	RF23,630,558,709
Total Income	RF23,728,748,108
Total Arrears	RF7,257,896
Total Losses	RF0
Total Payments	RF431,758,282
% Share of Collections	22%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	31
Total Supplies	RF1,461,035,754
Total Income	RF1,129,045,830
Total Arrears	RF0
Total Losses	(RF3,572,000)
Total Payments	RF67,143,242
% Share of Collections	3%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	5
Total Supplies	RF1,478,351,184
Total Income	RF1,478,438,898
Total Arrears	RF16,225,984
Total Losses	(RF164,593,000)
Total Payments	RF39,092,788
% Share of Collections	2%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
	0	0
\Customs	1	1.89
\Tax\Filing	22	41.51
\Tax\MULTITAX	14	26.42
\Tax\Payment	2	3.77
\Tax\PIT	10	18.87
\Tax\Revision	4	7.55

Figure 6: RDF results for wholesale & retail trade 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 taxp

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

Quadrant 2: Key Taxpayers	
Number of Taxpayers	102
Total Supplies	RF5,292,273,993
Total Income	RF92,252,949,851
Total arrears	RF33,473
Total Losses	(RF11,433,427,000)
Total Payments	RF1,454,218,840
% Share of Collections	4%

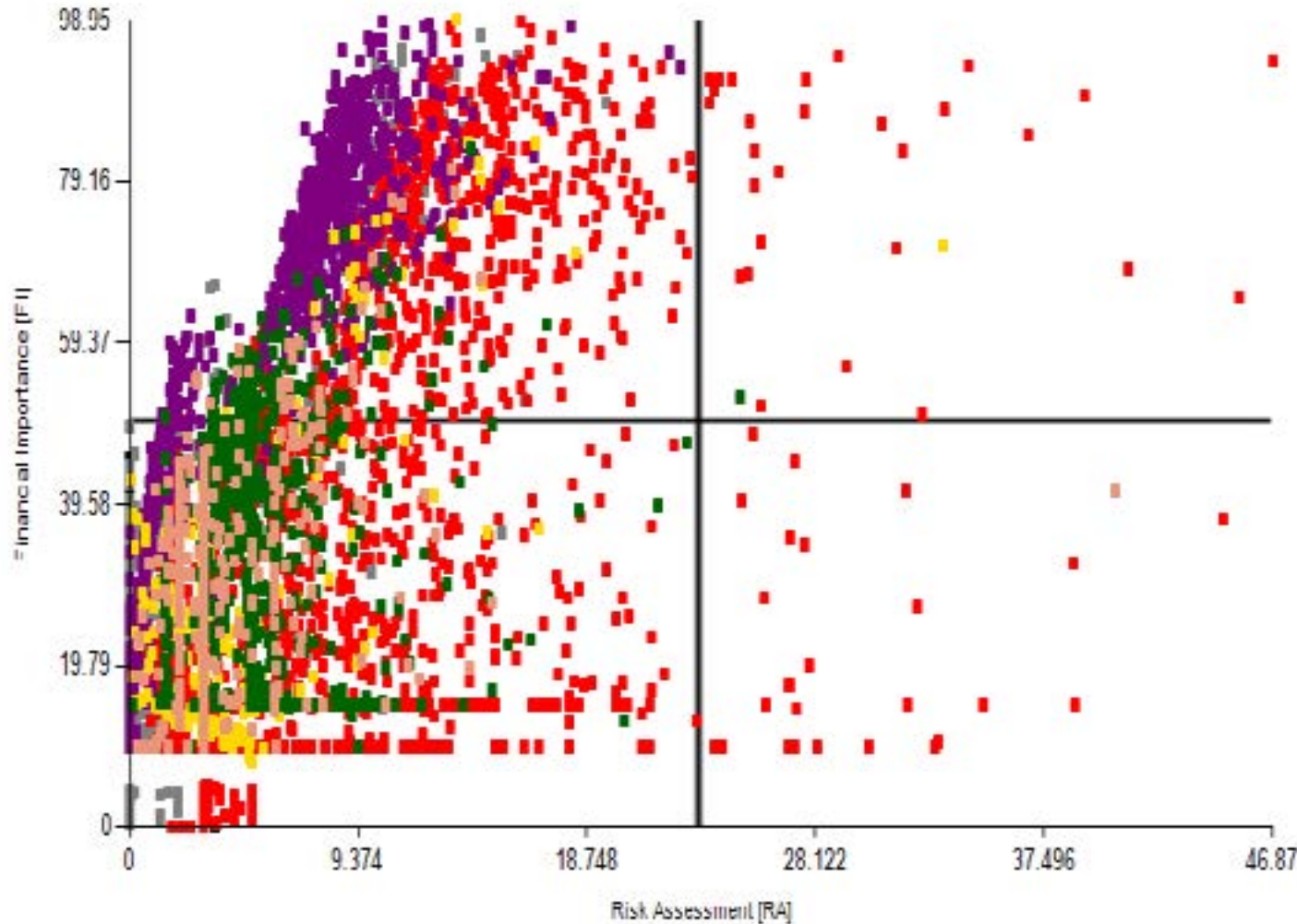
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	4,364
Total Supplies	RF2,232,583,871,271
Total Income	RF2,316,404,569,653
Total Arrears	RF2,475,522,571
Total Losses	(RF58,997,911,000)
Total Payments	RF34,051,943,248
% Share of Collections	92%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	25,861
Total Supplies	RF24,131,454,249
Total Income	RF433,856,002,015
Total Arrears	RF1,354,334,110
Total Losses	(RF4,426,405,000)
Total Payments	RF1,078,922,640
% Share of Collections	3%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	156
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	#	%
	0	0
\Customs	380	1.34
\Tax\CIT	8940	31.59
\Tax\Filing	11486	40.59
\Tax\MULTITAX	6764	23.9
\Tax\Payment	208	0.74
\Tax\Revision	520	1.84

Figure 7: RDF results for wholesale & retail trade 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\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	1,486
Total Supplies	RF191,305,874,588
Total Income	RF212,282,083,210
Total arrears	RF449,612,690
Total Losses	(RF3,293,290,000)
Total Payments	RF2,248,270,070
% Share of Collections	77%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	30
Total Supplies	RF5,664,443,227
Total Income	RF8,247,231,361
Total Arrears	RF35,206,323
Total Losses	(RF220,281,000)
Total Payments	RF81,893,827
% Share of Collections	3%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	53,750
Total Supplies	RF3,863,239,211
Total Income	RF193,755,409,361
Total Arrears	RF51,203,305
Total Losses	(RF1,000,000,906,183,000)
Total Payments	RF580,690,107
% Share of Collections	20%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	30
Total Supplies	RF248,987,003
Total Income	RF28,353,120
Total Arrears	RF95,613
Total Losses	(RF73,391,000)
Total Payments	RF1,870,252
% Share of Collections	0%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
	0	0
\Customs	810	2.41
\Tax\Filing	26564	79.02
\Tax\MULTITAX	1081	3.22
\Tax\Payment	300	0.89
\Tax\PIT	2806	8.35
\Tax\Revision	2057	6.12

Compliance Strategy: Wholesale and Retail Trade Sector

Key Compliance Risks	Risk Treatments
<p>1. Registration risk: High</p> <ul style="list-style-type: none"> • Taxpayers registered in some tax heads but not registered in other taxes to which they are eligible. <p>2. Filing risk: High</p> <ul style="list-style-type: none"> • Missing tax returns; • Late filling of tax returns. <p>3. Payment risk: High</p> <p>The majority of arrears are associated with high risk small & micro enterprises.</p> <p>4. Inaccurate and incomplete reporting risk: High</p> <ul style="list-style-type: none"> • Difference between exports declared and Customs data; • Non declaration of gains from disposal (sale) of assets; • Non apportionment of input VAT (in case of taxable and exempted sales); • Expenses without supporting documents; • Expensing VAT input; • Not withholding 15% on payments made to unregistered suppliers; • Damaged goods without supporting documents; • Overstatement of cost of goods sold; • Declaration of non-deductible expenses; <ul style="list-style-type: none"> - <i>Expensing Personal insurance;</i> - <i>Expensing penalties;</i> - <i>Expenses for personal use;</i> - <i>Expenses not related to the business;</i> - <i>Expensing interests on delayed payments to suppliers;</i> - <i>Security deposits for rent expensed.</i> 	<p>1. Education</p> <ul style="list-style-type: none"> • Develop literature and distribute education materials explaining tax requirements; • Conduct education seminars for wholesale and retail trade enterprises and individuals on tax requirements; • Conduct advisory visits; • Coordinate with the Rwanda Private Sector Federation (PSF) to: <ul style="list-style-type: none"> • <i>Better understand noncompliance;</i> • <i>Communicate with enterprises and individuals in the sector.</i> <p>2. Detection</p> <ul style="list-style-type: none"> • Carryout tax audits to risky taxpayers; • Data analysis to identify non-compliance (underreporting) cases. <p>3. Enforcement</p> <ul style="list-style-type: none"> • Taxpayers' recruitment on central taxes; • Identify, monitor and follow up non-fillers and non-payers; • Automated SMS to remind of filing and payment obligations; • Enforcement of tax arrears.

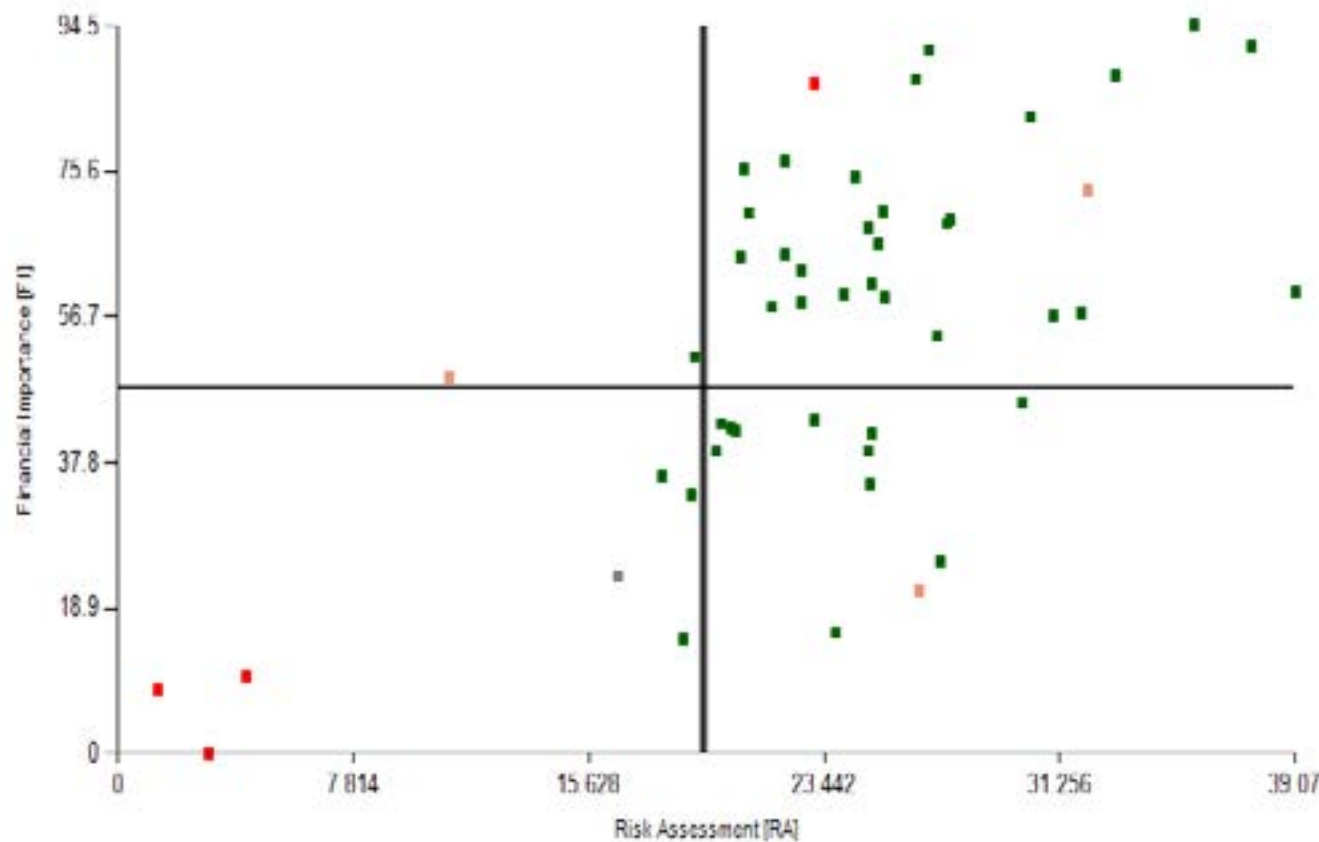
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- Differences between staff costs declared in profit and loss account as per RRA returns and staff costs in trial balance;
- Overstatement of customs duties and infrastructure development levy (IDL) declared;
- Overstatement of depreciation;
- Benefit in kind not charged PAYE;
- Fines for late delivery included in cost of goods;
- Not charging VAT reverse charge on services available locally;
- Input VAT claimed not related to the business;
- Overstatement of taxes paid in Customs;
- Understating cost of closing stock;
- Taxable sales declared as exempted;
- Wrong amount of losses carried forward.

8.1.2 Manufacturing Sector

The manufacturing sector represents a significant share of the tax base. The sector contributes 0.7% of total CIT/PIT, 8.4% of total VAT and 3.5% of total PAYE (Calendar year 2022). The sector contributed 10% to the total GDP in the year 2022.

Figure 8: 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.

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

Quadrant 2: Key Taxpayers	
Number of Taxpayers	2
Total Supplies	RF15,287,166,899
Total Income	RF3,684,364,464
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF3,063,367,504
% Share of Collections	5%

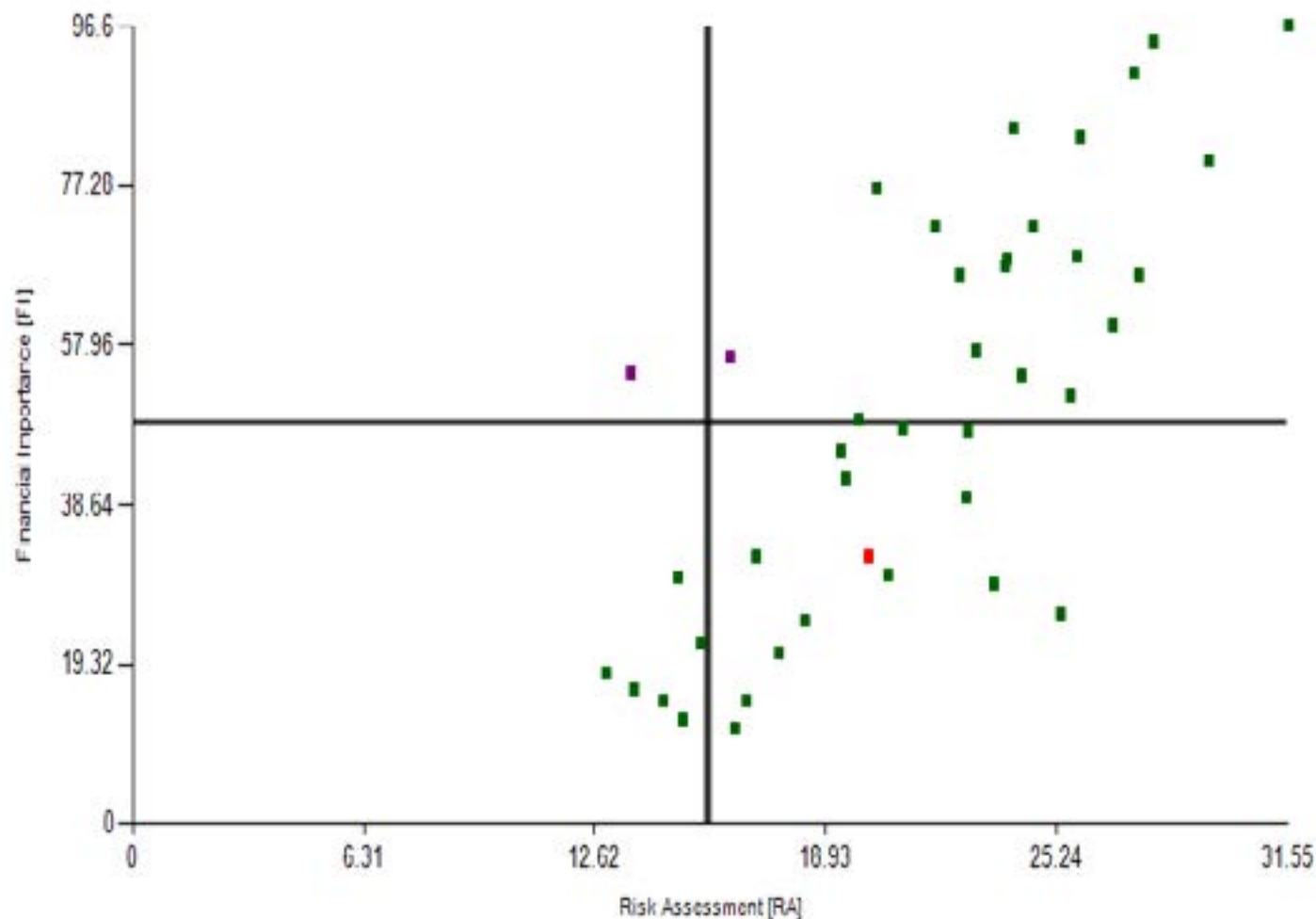
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	29
Total Supplies	RF580,494,244,341
Total Income	RF557,740,273,905
Total Arrears	RF55,416,186
Total Losses	(RF34,429,588,000)
Total Payments	RF54,500,459,107
% Share of Collections	90%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	8
Total Supplies	RF4,821,535,760
Total Income	RF5,000,552,417
Total Arrears	RF784,068
Total Losses	(RF966,236,000)
Total Payments	RF405,784,356
% Share of Collections	1%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	13
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	#	%
\Customs	1	1.96
\Tax\CIT	42	82.35
\Tax\Filing	5	9.8
\Tax\Revision	3	5.88









Figure 9: 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	
\Tax\Arrears	
\Tax\CIT	
\Tax\Filing	
\Tax\MULTITAX	
\Tax\Payment	
\Tax\Revision	
\Tax\VAT	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	1
Total Supplies	RF6,456,679,231
Total Income	RF0
Total Arrears	RF0
Total Losses	RF0
Total Payments	RF104,892,549
% Share of Collections	1%

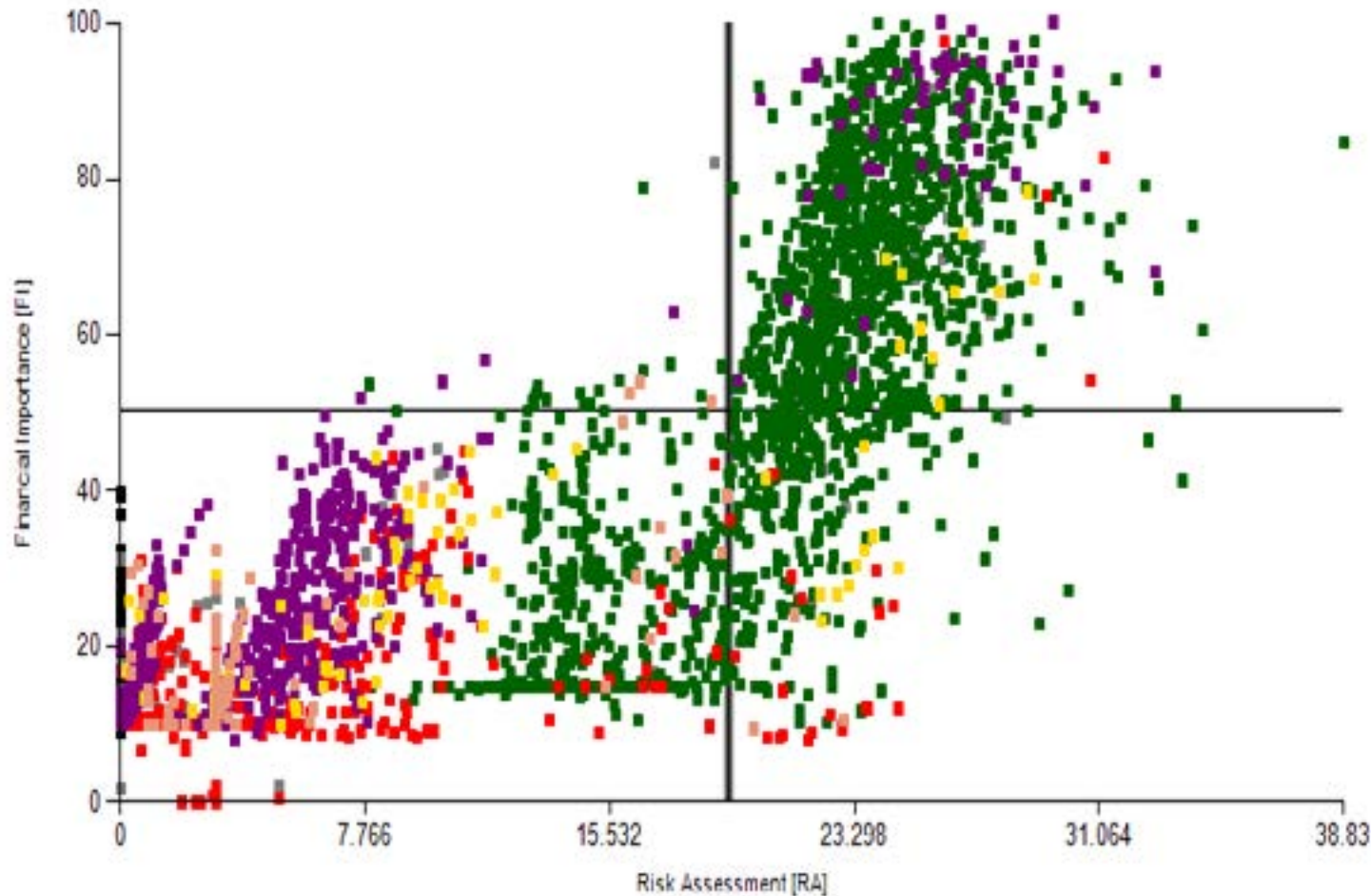
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	20
Total Supplies	RF75,155,979,531
Total Income	RF64,331,871,467
Total Arrears	RF0
Total Losses	(RF394,710,000)
Total Payments	RF6,587,961,583
% Share of Collections	91%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	6
Total Supplies	RF296,638,640
Total Income	RF312,155,609
Total Arrears	RF0
Total Losses	(RF2,730,250,000)
Total Payments	RF52,169,292
% Share of Collections	1%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	14
Total Supplies	RF5,045,815,456
Total Income	RF5,042,373,441
Total Arrears	RF131,042,900
Total Losses	(RF1,266,664,000)
Total Payments	RF456,479,587
% Share of Collections	6%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Tax\CIT	38	92.68
\Tax\Filing	1	2.44
\Tax\MULTITAX	2	4.88

Figure 10: 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\Revision	Orange
\Tax\VAT	Blue

Quadrant 2: Key Taxpayers	
Number of Taxpayers	29
Total Supplies	RF1,445,603,074
Total Income	RF12,479,990,745
Total arrears	RF0
Total Losses	(RF770,953,000)
Total Payments	RF239,660,167
% Share of Collections	1%

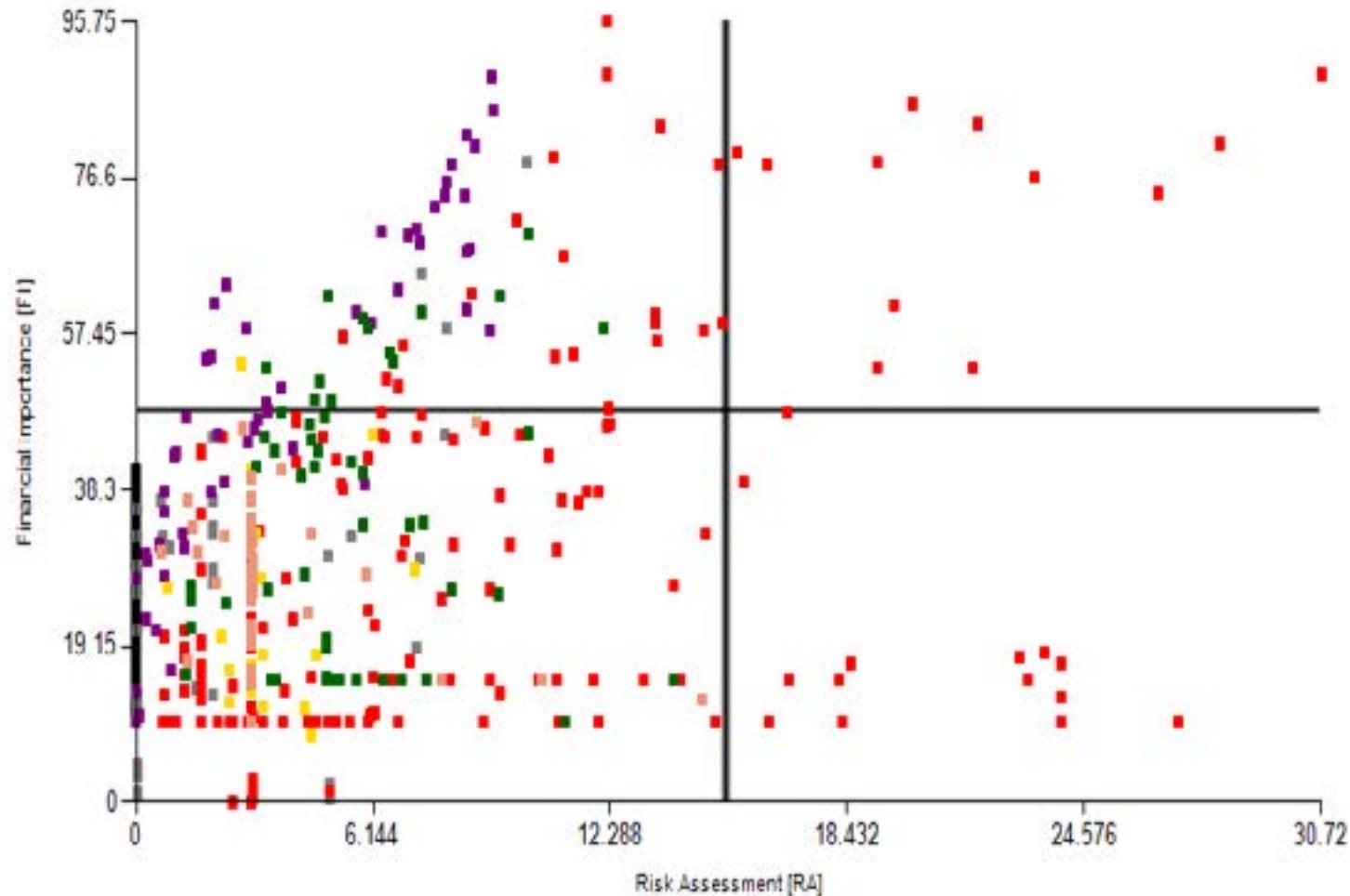
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	959
Total Supplies	RF469,522,466,412
Total Income	RF475,554,600,163
Total Arrears	RF1,404,314,031
Total Losses	(RF75,471,042,000)
Total Payments	RF26,691,061,293
% Share of Collections	96%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	9,964
Total Supplies	RF5,809,590,659
Total Income	RF237,223,799,983
Total Arrears	RF2,174,666,398
Total Losses	(RF2,338,417,000)
Total Payments	RF563,225,110
% Share of Collections	2%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	278
Total Supplies	RF4,277,767,326
Total Income	RF4,299,371,962
Total Arrears	RF210,997,848
Total Losses	(RF8,192,406,000)
Total Payments	RF445,674,116
% Share of Collections	2%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
	0	0
\Customs	90	0.94
\Tax\CIT	2013	21
\Tax\Filing	4938	51.51
\Tax\MULTITAX	2284	23.83
\Tax\Payment	82	0.86
\Tax\Revision	179	1.87









Figure 11: 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	
\Tax\Arrears	
\Tax\Filing	
\Tax\MULTITAX	
\Tax\Payment	
\Tax\PIT	
\Tax\Revision	
\Tax\VAT	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	65
Total Supplies	RF3,334,944,257
Total Income	RF4,264,709,976
Total Arrears	RF23,065,261
Total Losses	(RF56,946,000)
Total Payments	RF129,610,261
% Share of Collections	41%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	12
Total Supplies	RF1,232,441,643
Total Income	RF1,067,105,276
Total Arrears	RF25,565,502
Total Losses	(RF64,659,000)
Total Payments	RF101,583,527
% Share of Collections	32%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	3,564
Total Supplies	RF479,703,161
Total Income	RF132,505,374,702
Total Arrears	RF9,915,062
Total Losses	(RF16,203,000)
Total Payments	RF83,898,309
% Share of Collections	27%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	14
Total Supplies	RF22,205,145
Total Income	RF14,111,356
Total Arrears	RF0
Total Losses	(RF13,386,000)
Total Payments	RF486,230
% Share of Collections	0%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
	0	0
\Customs	37	1.56
\Tax\Filing	1961	82.71
\Tax\MULTITAX	76	3.21
\Tax\Payment	22	0.93
\Tax\PIT	159	6.71
\Tax\Revision	116	4.89

Compliance Strategy: Manufacturing Sector

Key Compliance Risks	Risk Treatments
<p>1. Registration risk: Medium</p> <ul style="list-style-type: none"> • Taxpayers registered in some tax heads but not registered in other taxes to which they are eligible. <p>2. Filing risk High</p> <ul style="list-style-type: none"> • Missing tax returns; • Late filling of tax returns. <p>3. Payment risk: High</p> <ul style="list-style-type: none"> • The majority of arrears are associated with high risk small & micro enterprises and low-risk small & micro enterprises. <p>4. Inaccurate and incomplete reporting risk: High</p> <ul style="list-style-type: none"> • Expensing VAT (total invoice VAT inclusive); • Charging withholding tax of 15% on sitting allowance instead of 30%; • Expenses without supporting documents; • Expenses not related to the business; • 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 labourers; • Non declaration of rental income; • Expensing fines, interest and penalties; • Not withholding 15% on payments made to unregistered suppliers; 	<p>1. Education</p> <ul style="list-style-type: none"> • Develop literature and distribute education materials explaining tax requirements; • Conduct education seminars for manufacturing enterprises and individuals on tax requirements; • Conduct advisory visits. <p>2. Detection</p> <ul style="list-style-type: none"> • Carryout tax audits to risky taxpayers; • Data analysis to identify non-compliance (underreporting) cases; • Engage Rwanda Standards Board (RSB) on measurements used in industrial production; • Streamlining the EBM stock monitoring function. <p>3. Enforcement</p> <ul style="list-style-type: none"> • Taxpayers' recruitment on central taxes; • Identify, monitor and follow up non-fillers and non-payers; • Automated SMS to remind of filing and payment obligations; • Enforcement of tax arrears.

- Wrong amount of losses carried forward;
- Destructed, damaged and expired goods without confirmation report from competent authorities;
- Declaration of non-deductible expenses;
- Non declaration of gains from disposal (sale) of assets;
- Cancellation of EBM sales without supporting documents;
- Cost of goods sold without supporting documents;
- Not charging VAT reverse charge on services available locally;
- Input VAT claimed not related to the business;
- Taxable sales declared as exempted;
- Charging withholding tax of 15% on net amount instead of gross amount;
- Non application of excise tax on promotional products;
- Non apportionment of input VAT (in case of taxable and exempted sales);
- Wrong application of depreciation rates on assets;
- Understatement of EBM invoice;
- Overstated cost of sales;
- Overstatement of stock;
- Commissions expensed and included in the purchase price (duplication);
- Shareholders equity injected into the company considered as loans but not fulfilling the characteristics of loans;
- Not withholding tax from interest on loan;
- Application of wrong exchange rates on payments made in foreign currencies;
- Underreporting of profits by manipulation of the input/output.

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%	

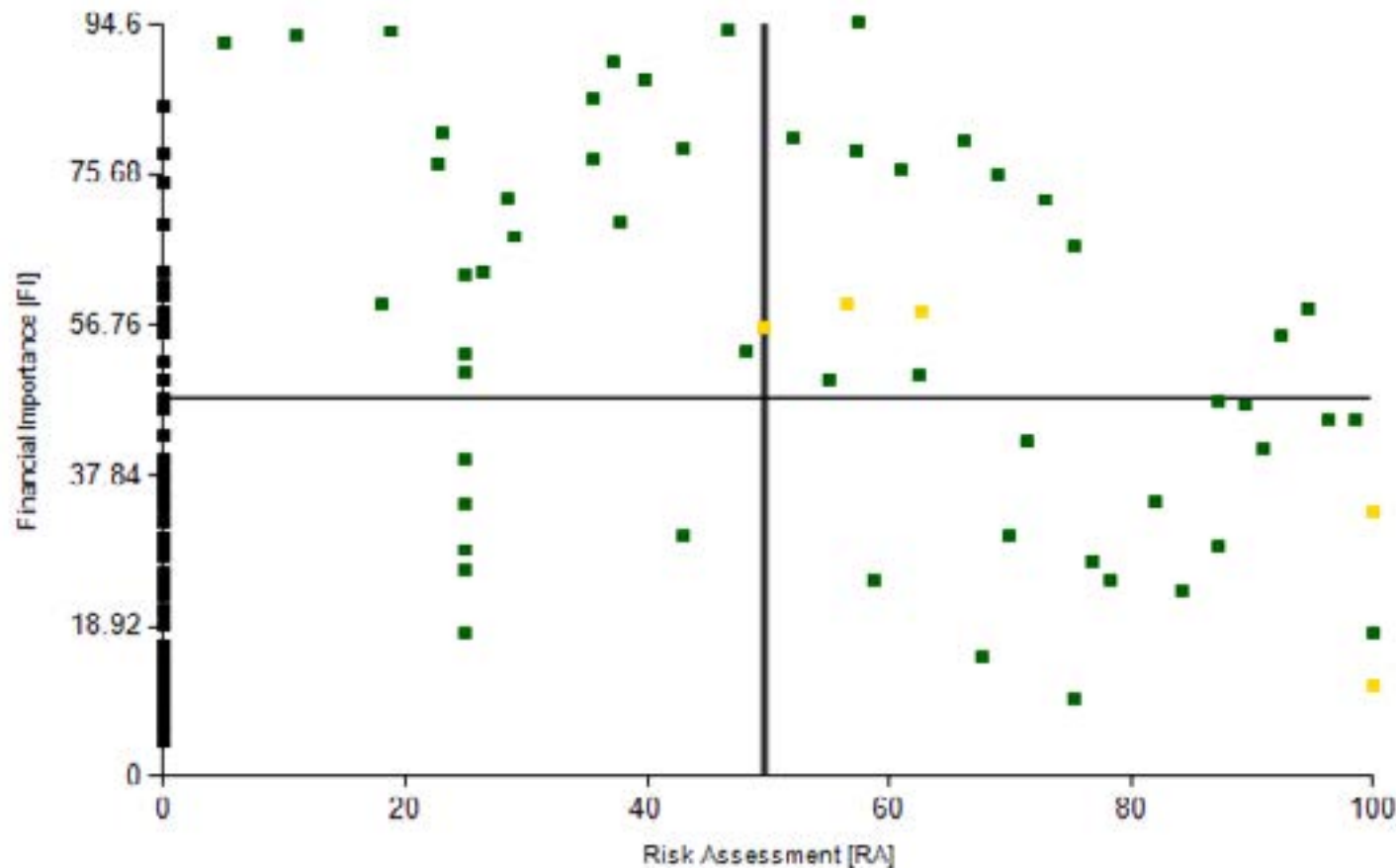
b) Risk metrics for Customs Brokers (Clearing Agencies)

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 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	
\Customs\Dec	
\Customs\Tax	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	37
Total CIF	RF4,878,586,386
Total TAXPAID	RF4,004,960,715
Total Number of Declaration	178
Total Number of Modified declarations	52
Total Additional amount	189526753
Total Initial amount	3815518128

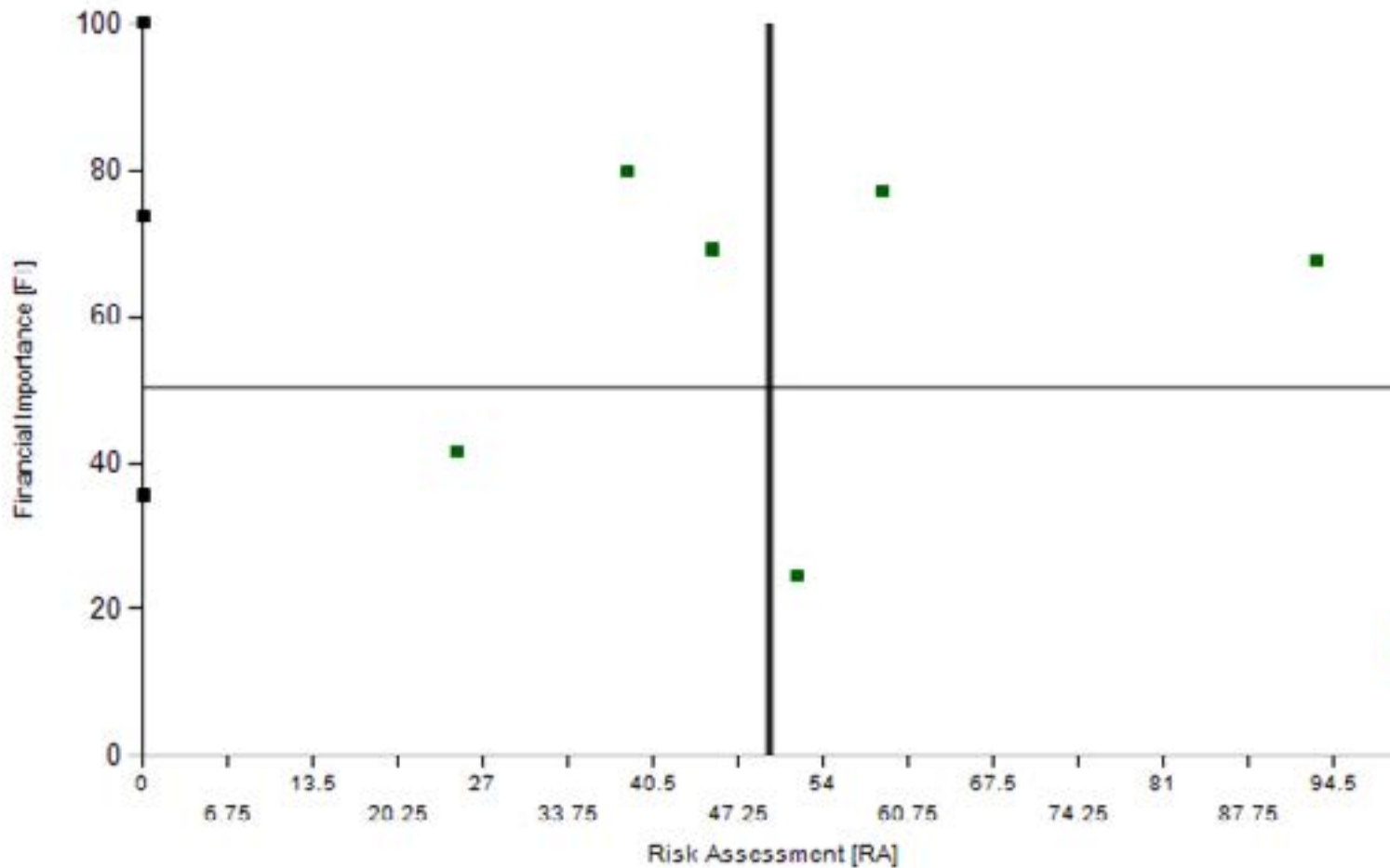
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	15
Total CIF	RF645,643,669
Total TAXPAID	RF512,687,819
Total Number of Declaration	51
Total Number of Modified declarations	33
Total Additional amount	118268228
Total Initial amount	394419591

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	45
Total CIF	RF20,834,782
Total TAXPAID	RF16,756,156
Total Number of Declaration	58
Total Number of Modified declarations	9
Total Additional amount	38520
Total Initial amount	16738486

Quadrant 3: Medium Risk Taxpayers	
Number of Traders	17
Total CIF	RF9,718,726
Total TAXPAID	RF10,566,364
Total Number of Declaration	23
Total Number of Modified declarations	23
Total Additional amount	7878270
Total Initial amount	2688094

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	54	91.53
\Customs\Tax	5	8.47

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



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
\Customs\Dec	Green
\Customs\Tax	Yellow

Quadrant 2: Key Taxpayers	
Number of Taxpayers	4
Total CIF	RF744,628
Total TAXPAID	RF810,010
Total Number of Declaration	6
Total Number of Modified declarations	4
Total Additional amount	148485
Total Initial amount	661525

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	2
Total CIF	RF487,488
Total TAXPAID	RF534,006
Total Number of Declaration	2
Total Number of Modified declarations	2
Total Additional amount	453754
Total Initial amount	80252

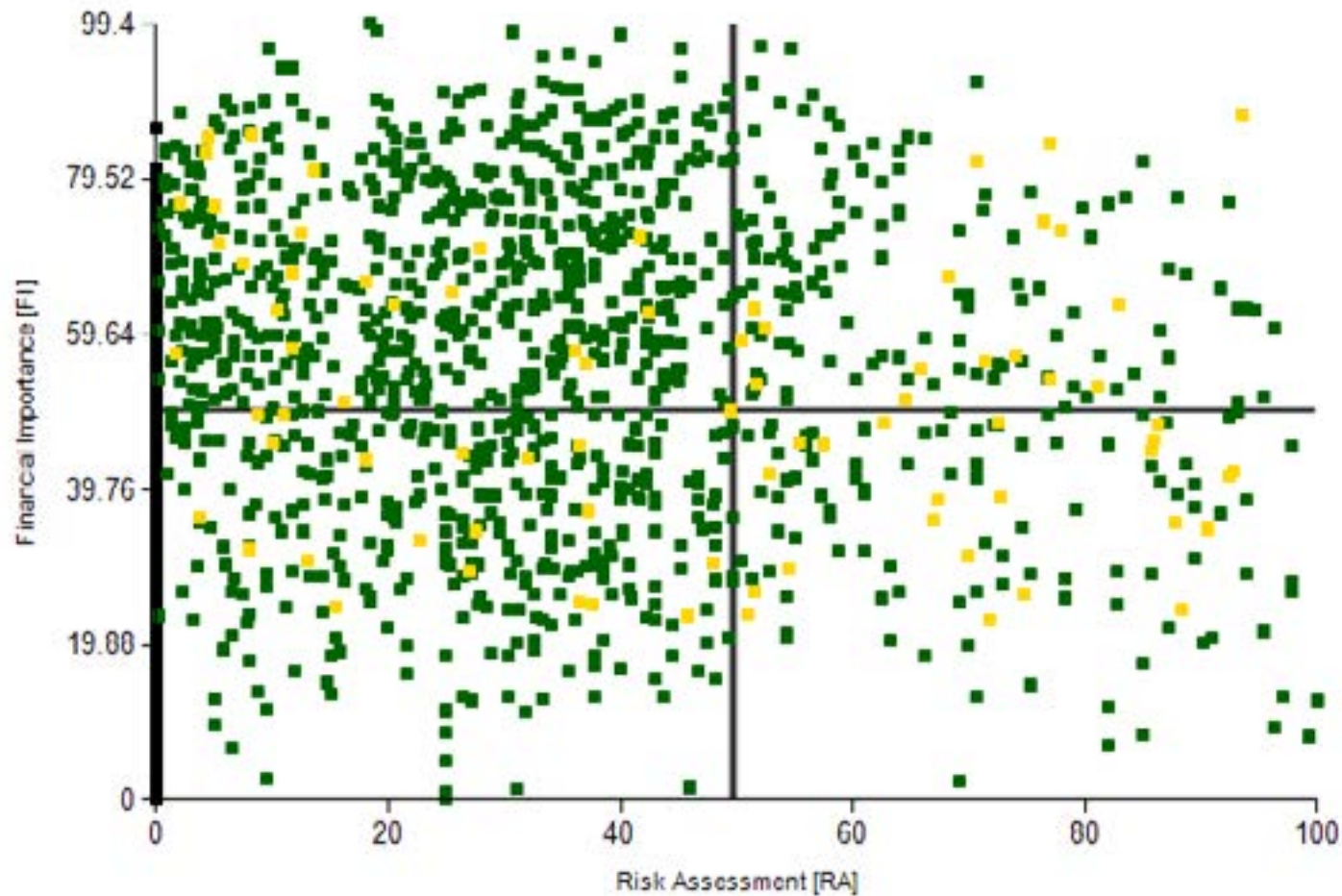
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	2
Total CIF	RF113,639
Total TAXPAID	RF124,046
Total Number of Declaration	2
Total Number of Modified declarations	1
Total Additional amount	0
Total Initial amount	128862

Quadrant 3: Medium Risk Taxpayers	
Number of Traders	2
Total CIF	RF20,088
Total TAXPAID	RF16,670
Total Number of Declaration	2
Total Number of Modified declarations	2
Total Additional amount	12363
Total Initial amount	4307

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	6	85.71
\Customs\Tax	1	14.29

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 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
\Customs\Dec	Green
\Customs\Tax	Yellow

Quadrant 2: Key Taxpayers	
Number of Taxpayers	804
Total CIF	RF363,838,866,224
Total TAXPAID	RF71,327,964,904
Total Number of Declaration	25614
Total Number of Modified declarations	7097
Total Additional amount	6703051617
Total Initial amount	64624934713

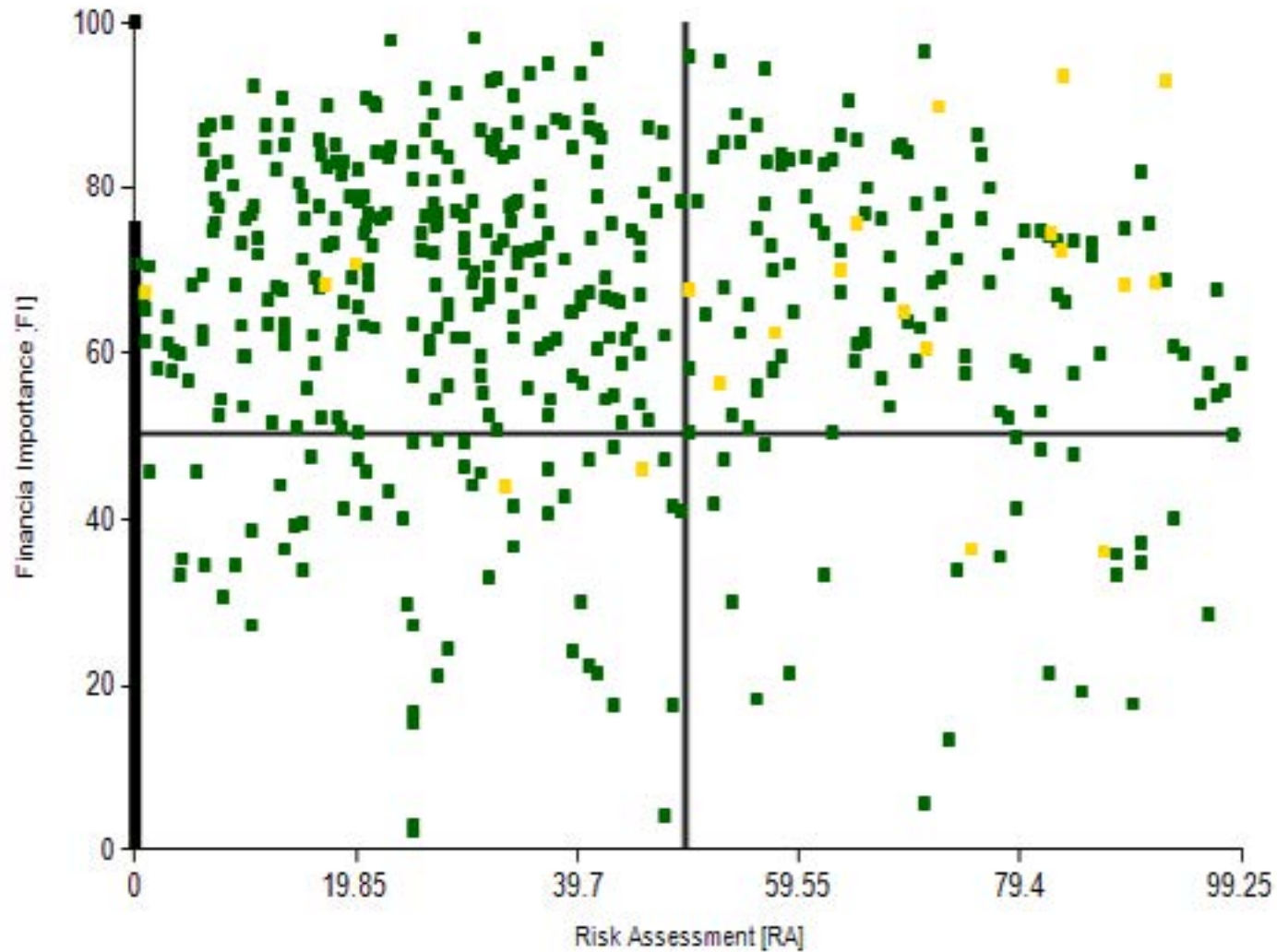
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	142
Total CIF	RF24,558,073,094
Total TAXPAID	RF6,574,283,278
Total Number of Declaration	2539
Total Number of Modified declarations	2152
Total Additional amount	2994291614
Total Initial amount	3579994874

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	1,461
Total CIF	RF40,672,263,185
Total TAXPAID	RF1,848,210,668
Total Number of Declaration	8648
Total Number of Modified declarations	935
Total Additional amount	115316101
Total Initial amount	1732944819

Quadrant 3: Medium Risk Taxpayers	
Number of Traders	118
Total CIF	RF523,289,237
Total TAXPAID	RF198,227,923
Total Number of Declaration	577
Total Number of Modified declarations	449
Total Additional amount	123746259
Total Initial amount	74481664

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	1103	93.16
\Customs\Tax	81	6.84

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



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.

<u>Legend</u>	
\Customs	
\Customs\Dec	
\Customs\Tax	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	358
Total CIF	RF21,832,904,822
Total TAXPAID	RF9,008,846,498
Total Number of Declaration	5197
Total Number of Modified declarations	1521
Total Additional amount	671894325
Total Initial amount	8337032815

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	121
Total CIF	RF2,634,722,832
Total TAXPAID	RF1,306,907,871
Total Number of Declaration	881
Total Number of Modified declarations	766
Total Additional amount	764049049
Total Initial amount	542858822

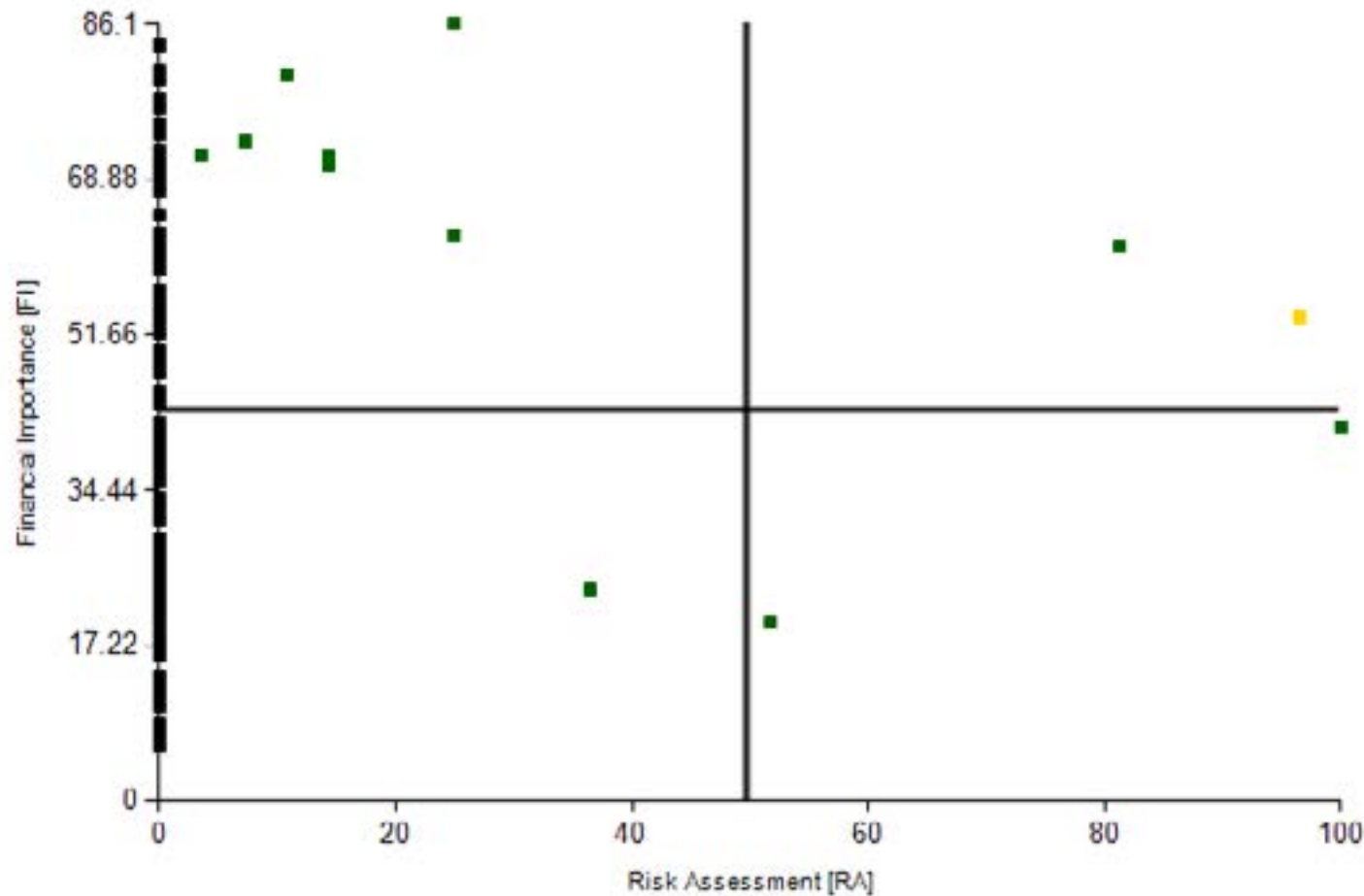
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	509
Total CIF	RF866,736,806
Total TAXPAID	RF102,059,625
Total Number of Declaration	1671
Total Number of Modified declarations	93
Total Additional amount	4162559
Total Initial amount	97899394

Quadrant 3: Medium Risk Taxpayers	
Number of Traders	26
Total CIF	RF320,621,027
Total TAXPAID	RF12,195,433
Total Number of Declaration	118
Total Number of Modified declarations	50
Total Additional amount	7614393
Total Initial amount	4581040

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	434	95.38
\Customs\Tax	21	4.62

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 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
\Customs\Dec	Green
\Customs\Tax	Yellow

Quadrant 2: Key Taxpayers	
Number of Taxpayers	56
Total CIF	RF103,187,849,976
Total TAXPAID	RF601,231,281
Total Number of Declaration	1706
Total Number of Modified declarations	12
Total Additional amount	435214
Total Initial amount	600806141

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	2
Total CIF	RF63,866,780
Total TAXPAID	RF3,193,339
Total Number of Declaration	5
Total Number of Modified declarations	4
Total Additional amount	864430
Total Initial amount	2328909

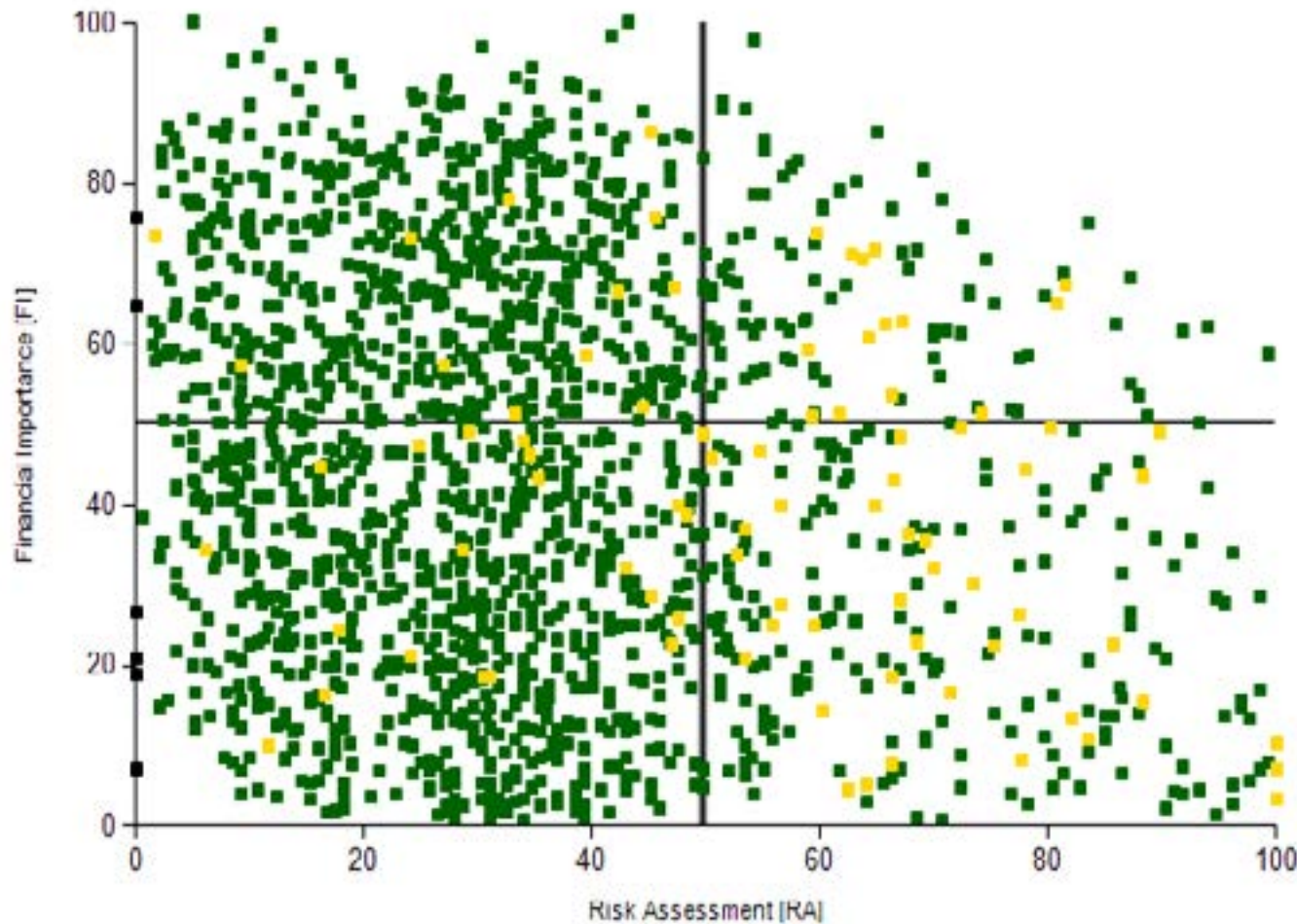
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	63
Total CIF	RF53,971,507,357
Total TAXPAID	RF23,060,611
Total Number of Declaration	475
Total Number of Modified declarations	1
Total Additional amount	2923
Total Initial amount	23057688

Quadrant 3: Medium Risk Taxpayers	
Number of Traders	2
Total CIF	RF94,150,585
Total TAXPAID	RF186,435
Total Number of Declaration	6
Total Number of Modified declarations	4
Total Additional amount	5379
Total Initial amount	181056

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	11	91.67
\Customs\Tax	1	8.33

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 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	
\Customs\Dec	
\Customs\Tax	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	606
Total CIF	RF186,706,608,472
Total TAXPAID	RF57,896,450,417
Total Number of Declaration	9298
Total Number of Modified declarations	4030
Total Additional amount	10988134693
Total Initial amount	46908315724

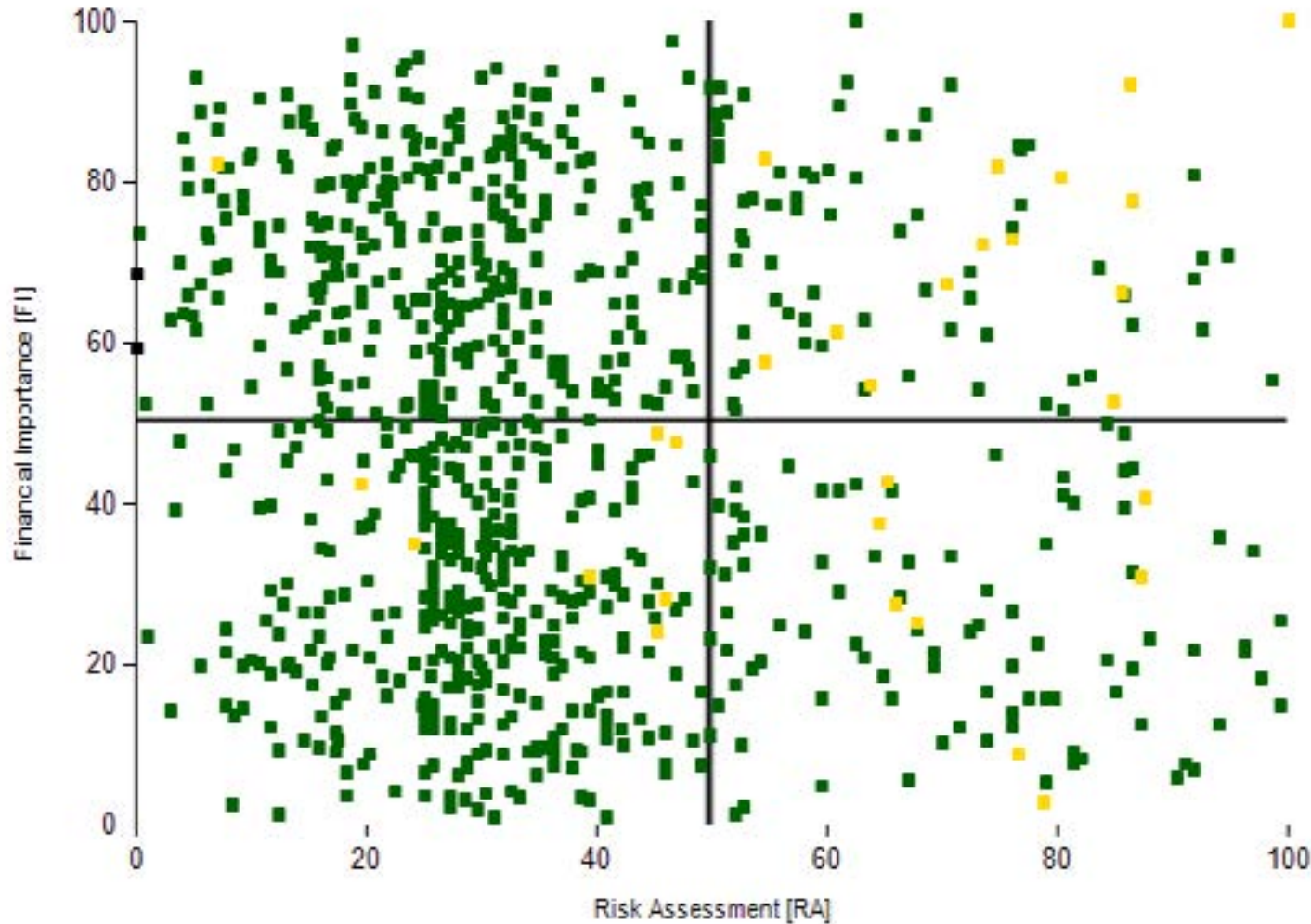
Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	107
Total CIF	RF14,288,208,746
Total TAXPAID	RF6,176,027,028
Total Number of Declaration	798
Total Number of Modified declarations	635
Total Additional amount	3257230697
Total Initial amount	2918796331

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	728
Total CIF	RF11,990,394,633
Total TAXPAID	RF3,543,399,001
Total Number of Declaration	2935
Total Number of Modified declarations	1258
Total Additional amount	832512695
Total Initial amount	2710886306

Quadrant 3: Medium Risk Taxpayers	
Number of Traders	224
Total CIF	RF2,579,336,131
Total TAXPAID	RF1,008,176,792
Total Number of Declaration	551
Total Number of Modified declarations	437
Total Additional amount	619316249
Total Initial amount	388860543

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	1573	94.82
\Customs\Tax	86	5.18

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



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	
\Customs\Dec	
\Customs\Tax	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	327
Total CIF	RF17,685,884,271
Total TAXPAID	RF7,932,665,879
Total Number of Declaration	2592
Total Number of Modified declarations	1120
Total Additional amount	1752499079
Total Initial amount	6180166800

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	85
Total CIF	RF5,284,386,881
Total TAXPAID	RF2,478,176,284
Total Number of Declaration	460
Total Number of Modified declarations	328
Total Additional amount	1123877031
Total Initial amount	1354299253

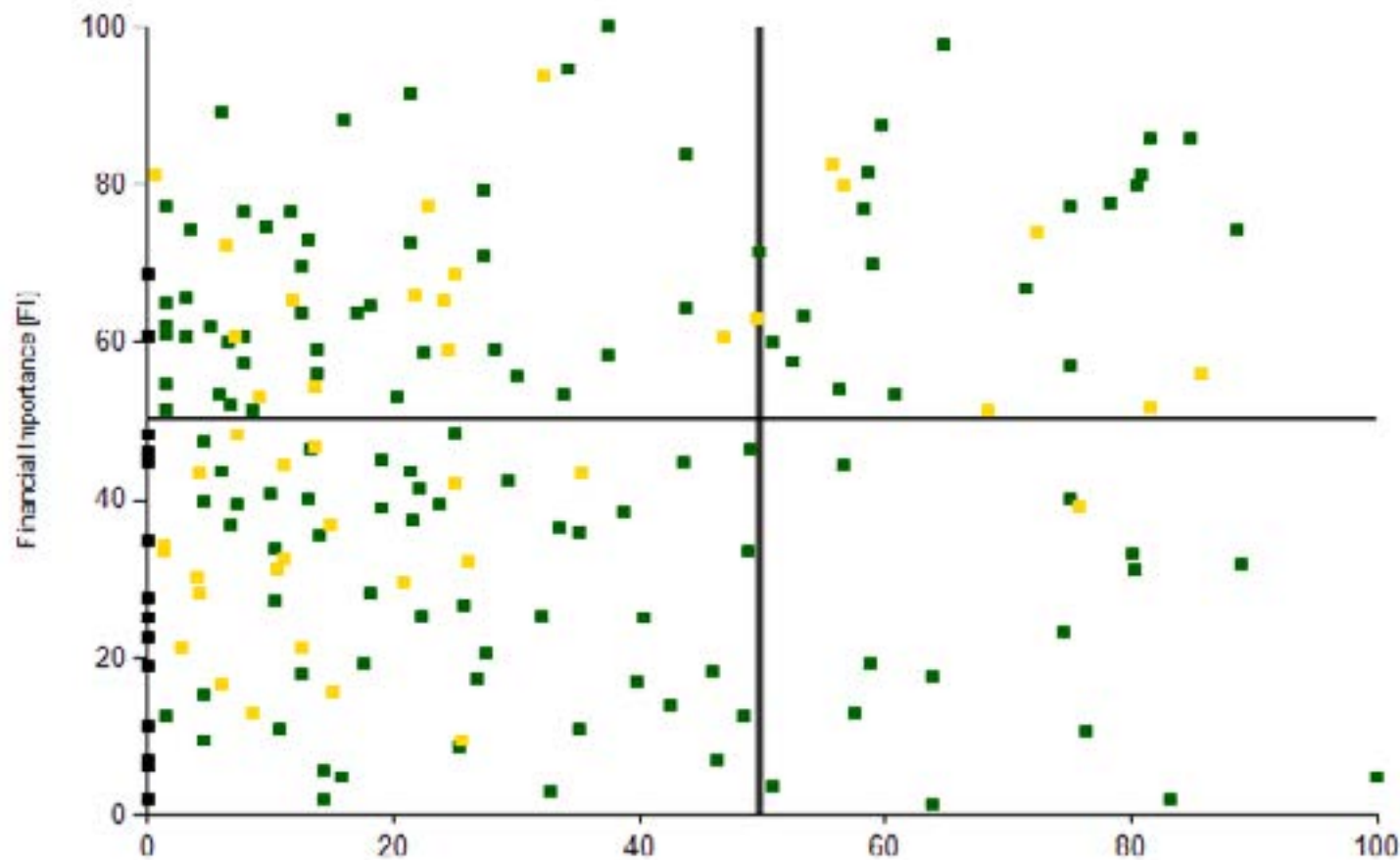
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	343
Total CIF	RF1,549,339,116
Total TAXPAID	RF665,260,270
Total Number of Declaration	884
Total Number of Modified declarations	463
Total Additional amount	152684010
Total Initial amount	512576260

Quadrant 3: Medium Risk Taxpayers	
Number of Traders	98
Total CIF	RF354,746,665
Total TAXPAID	RF171,076,098
Total Number of Declaration	161
Total Number of Modified declarations	139
Total Additional amount	108042355
Total Initial amount	63033743

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	821	96.47
\Customs\Tax	30	3.53

8.2.5 Customs Brokers (Clearing Agencies)

Figure 19: RDF results for Customs Brokers



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	
\Customs\Dec	
\Customs\Tax	

Quadrant 2: Key Taxpayers	
Number of Brokers	59
Total CIF	RF1,703,646,240,829
Total Number of Declaration	78232
Total Number of Modified Declaration	5797

Quadrant 1: High Risk Taxpayers	
Number of Brokers	25
Total CIF	RF268,555,374,839
Total Number of Declaration	17724
Total Number of Modified Declaration	6910

Quadrant 4: Lower Risk Taxpayers	
Number of Brokers	83
Total CIF	RF477,465,658,694
Total Number of Declaration	22578
Total Number of Modified declarations	1659

Quadrant 3: Medium Risk Taxpayers	
Number of Brokers	15
Total CIF	RF40,341,640,686
Total Number of Declaration	1154
Total Number of Modified declarations	490

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs\Dec	125	74.85
\Customs\Tax	42	25.15

Compliance Strategy: Importers and Customs Brokers

Key Compliance Risks	Risk Treatments
<p>1. General Risk: High</p> <ul style="list-style-type: none"> Exceeding quantity declared; False declaration of origin; Misclassification of goods; Non reported goods; Prohibited – restricted goods; Under valuation of goods; Uploading wrong documents to the declaration; Using incorrect office codes; Value declared different from attached invoice; Weight different from the attached documents; Wrong commercial description; Wrong CPC; Pervasive culture of noncompliance among brokers; Significant culture of noncompliance among traders. <p>2. Classification Risk: High</p> <ul style="list-style-type: none"> Intentional misclassification on advice of clearing agents; Significant lack of classification knowledge in the business community 	<p>1. Education</p> <ul style="list-style-type: none"> 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; Consultative and interactive meetings with identified customs stakeholders; Field visits to local manufacturers; Conduct sensitization and awareness on the application of the automated advance ruling module. <p>2. Support</p> <ul style="list-style-type: none"> Advance rulings, making people more aware of the process. <p>3. Simplification or process improvement</p> <ul style="list-style-type: none"> Increase the number of facilitated companies under Gold card scheme and AEO benefiting blue channel treatment.

<p>3. Valuation Risk: High</p> <p>Pervasive, intentional use of false supporting documents; Incomplete and inaccurate valuation data.</p>	<p>4. Detection</p> <p>Carryout tax audits to high risky importers; Monitor the performance of Customs Agents.</p> <p>5. Enforcement</p> <p>Writing warning letters to non-compliant clearing agents; Enforcement of tax arrears; Publish lane statistics of clearance time (time release) for all clearing agencies on a quarterly basis.</p>
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9

CONCLUSION

Strategies in the tax compliance improvement plan document intends to enable RRA achieve its objective of taxpayers committing to their tax obligations and enhancing voluntary tax compliance. The 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.



THANK YOU