



RWANDA REVENUE AUTHORITY
TAXES FOR GROWTH AND DEVELOPMENT

TAX COMPLIANCE IMPROVEMENT PLAN

(2024-2025)

JUNE 2024



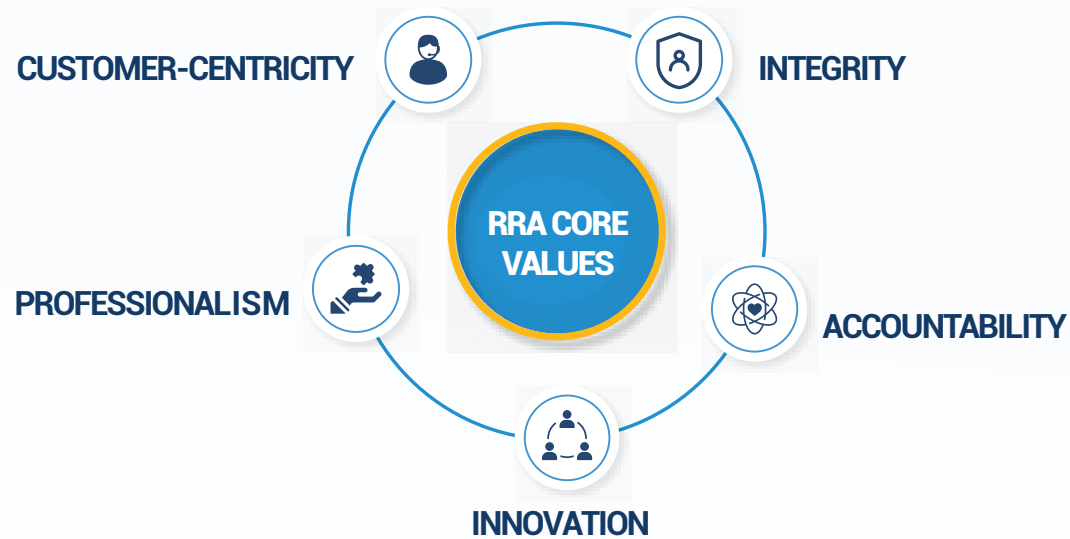
RRA VISION

To be a **model revenue administration** **optimally financing** national needs."



RRA MISSION

To efficiently **mobilize revenue** and **facilitate trade** through **transparent** and **innovative** services to drive economic growth.



HERE FOR YOU
TO SERVE

FOREWORD



It is our pleasure to introduce the RRA Tax Compliance Improvement Plan for the fiscal year 2024/2025. This compliance improvement plan is critical as it lays out our strategies, aligned with our strategic objectives, for enhancing compliance with tax laws in the upcoming fiscal year. It shows how RRA, as a Tax and Customs Administrator, leverages various approaches to boost voluntary tax compliance. The plan highlights targeted strategies that address areas identified through our research and risk analysis as posing higher risks of non-compliance.

Our tax system is based on the principles of self-assessment and voluntary compliance, relying on taxpayers' integrity to determine their tax obligations, submit returns, pay due taxes and report accurately. We believe that if you are fulfilling your tax responsibilities, you deserve the assurance that everyone else is doing the same. While we strive to

make it easier for all taxpayers to meet their obligations quickly, easily and cost-effectively, we are equally committed to ensuring that those who fail to pay their fair share and follow the rules are held accountable. By addressing these issues, we aim to significantly enhance the fairness of the tax system.

The RRA Tax Compliance Improvement Plan is essential to RRA's operations. It guides our compliance efforts in efficiently managing the tax system, with a focus on enhancing voluntary compliance in key areas such as registration, filing, payment and accurate reporting.

The ultimate aim is not merely to identify non-compliance but to prevent it. Our goal is to help individuals recognize risky behaviors and take steps to avoid them, thereby fostering voluntary compliance. By offering our customers transparency into our compliance activities, we hold ourselves accountable and seek to gain the support of the broader community. This collaboration is essential for ensuring fair tax administration and promoting the prosperous development of our country.

This Compliance Improvement Plan will focus on two main areas: general compliance interventions and specific compliance interventions. Our general compliance interventions will address the four core areas of tax compliance: registration, filing, payment and accurate reporting. Specific compliance interventions will be divided into two parts: domestic taxes and customs services. For domestic taxes, our focus will be on four sectors namely: the wholesale and retail trade sector, manufacturing sector, hotels, bars and restaurant sector and professional activities sector. For customs services, we will target importers dealing with high-risk commodities, importers of goods from high-risk origins, traders benefiting from the EAC duty remission scheme (exemption), selectivity criteria with the highest hit rate and customs brokers (clearing agencies).

To foster voluntary compliance, we believe the most effective approach is to build a relationship of mutual trust and respect between the tax administration and the taxpayers of Rwanda. By externally publishing our compliance improvement plan, we aim to inform taxpayers, tax practitioners and stakeholders about the current tax compliance challenges and the RRA's strategies to address these issues. As RRA works towards achieving its vision, let us collaborate to enhance tax compliance for the nation's growth and development. We encourage everyone to join RRA in ensuring a fair tax system where everyone pays their fair share. This will enable the Government of Rwanda to generate sufficient revenue to meet citizens' expectations for public goods and services, ultimately leading to self-reliance.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Niwenshuti Ronald', written over a horizontal line.

NIWENSHUTI Ronald
Commissioner General

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|-------------------|--|
| CIF: | Cost Insurance and Freight |
| CIT: | Corporate Income Tax |
| CPC: | Customs Procedure Code |
| CSD: | Customs Services Department |
| DTD: | Domestic Taxes Department |
| EACCOMA: | East African Community Customs Management Act |
| EBM: | Electronic Billing Machine |
| FY: | Fiscal Year |
| GDP: | Gross Domestic Product |
| HS: | Harmonized System Code |
| IMF: | International Monetary Fund |
| 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 |
| RM&DA: | Risk Management and Data Analytics |
| RRA: | Rwanda Revenue Authority |
| RWAFFA: | Rwanda Freight Forwarders Association |
| TADAT: | Tax Administration Diagnostic Assessment Tool |
| TPS&C: | Taxpayers Services and Communication |
| VAT: | Value Added Tax |

1. INTRODUCTION

Rwanda Revenue Authority (RRA) is dedicated to mobilizing revenue for economic development by providing efficient and equitable services that foster business growth. As a quasi-autonomous entity, RRA is responsible for assessing, collecting and accounting for tax, customs and other designated revenues. The achievement of these objectives aligns with the organization's first priority outlined in strategic plan which focuses on enhancing taxpayers' compliance.

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. 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 behavior. Whereas fiscal and social psychology models inductively examine the attitudes and beliefs of taxpayers in order to predict actual behavior.

Taxpayers on the other hand have the obligation to report and pay taxes and thus contribute to the economic growth and development of their Countries. The actions of taxpayers – whether due to ignorance, carelessness or deliberate evasion as well as weaknesses in the tax administration mean that instances of failure to comply with the tax laws 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 fiscal year 2024-2025 tax compliance priorities focuses on the utilization of a strong compliance management framework which will be executed through a multi-faceted approach. RRA efforts will focus on improving Taxpayers' compliance in mostly identified risky areas and sectors. This will be achieved through undertaking various initiatives targeting to influence taxpayers' compliance behaviors through: education, support, simplification or process improvement, detection and enforcement.

2. BACKGROUND

The Tax Compliance Improvement Plan for 2024-2025 continues the evolution of the RRA's approach to tax administration by building upon previous foundational shifts. It emphasizes a move from command-and-control methods to a risk management-focused strategy highlighting the importance of tailored interventions for different taxpayer categories. The plan acknowledges the limitations of strict enforcement and prioritizes identifying and mitigating real risks while encouraging cooperation with compliant taxpayers and addressing non-compliance through suitable corrective measures. The plan aims to cultivate a culture of voluntary compliance across various aspects of tax obligations. Drawing insights from past assessments including the Tax Administration Diagnostic Assessment Tool (TADAT) reports of 2015 and 2019, the 2024-2025 Compliance Improvement Plan aims to address persistent weaknesses in compliance management efforts within the RRA. By collaborating with international partners and leveraging best practices, the RRA endeavors to enhance its understanding of the root causes of non-compliance among taxpayers and implement targeted interventions effectively. The refinement of compliance risk analysis models and tools, influenced by successful implementations in jurisdictions such as the Australian Tax Office, provides a structured framework for identifying and addressing compliance risks proactively.

The general compliance interventions outlined in the 2024-2025 compliance improvement plan focus on core areas of tax compliance obligations including registration, filing, payment and accurate reporting. The interventions aim to raise awareness among taxpayers about on their tax obligations, facilitate cooperation in rectifying non-compliant behaviors and demonstrate the administration's commitment to enforcement through visible actions. Additionally, specific compliance interventions are tailored to address the unique challenges and risks associated with domestic taxes and customs services. By targeting high-risk areas and sectors, such as different taxpayer segments and economic sectors for domestic taxes and importers dealing with high-risk commodities for customs services, the RRA seeks to allocate resources effectively and enhance its capacity to address non-compliance comprehensively. Through a combination of targeted and comprehensive measures, the compliance improvement plan 2024-2025 aims to strengthen the RRA's ability to foster voluntary tax compliance and contribute to revenue mobilization efforts in Rwanda.

3. OBJECTIVES OF THE COMPLIANCE IMPROVEMENT PLAN

The aim of a taxpayer compliance initiative is to pinpoint and address the most notable risks within the tax system by employing various strategies aimed at tackling the root causes of noncompliance. The primary goal is to maximize the influence on voluntary compliance among all taxpayers. Specifically, the RRA tax compliance enhancement plan for 2024-2025 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

In general, compliance denotes adhering to a clearly outlined specification, standard, or legal obligation. It entails the adherence to rules and laws in line with established guidelines, striving to meet specific standards and fulfill the requirements of prescribed regulations. Within the realm of tax administration, compliance pertains to the degree to which taxpayers, traders and intermediaries such as practitioners and clearing agents fulfill their tax responsibilities.

In the context of tax regulations in Rwanda, compliance typically means registering when required (businesses), filing returns on time, reporting complete and accurate information to determine tax liability and paying all amounts owing when due. Non-compliance arises when any of these obligations are not fulfilled regardless of the cause.

The tax responsibilities imposed on a taxpayer differ depending on the type of tax and the jurisdiction in question. Nevertheless, there are four primary overarching categories of taxpayer obligations that remain consistent for all taxpayers, regardless of jurisdiction. These are:

Registration: Any individual subject to any form of taxation overseen by the Rwanda Revenue Authority (RRA) must undergo registration with the RRA and obtain a fiscal identification number (Taxpayer Identification Number) before engaging in any economic activities relevant to taxation.

Filing and declaration: Taxpayers are required to file tax returns to the RRA in compliance with the relevant tax laws. Additionally, all importers and exporters must declare their imports or exports in accordance with the regulations in accordance with the East African Community Customs Management Act (EACCMA).

Complete and accurate reporting: It is mandatory for each taxpayer to maintain records of their economic activities, including books, invoices, and other documentation as stipulated by tax legislation. Taxpayers must ensure the timely and accurate submission of data and documentation required by the RRA, adhering to the guidelines outlined in the tax legislation.

Payments: Taxpayers are obligated to pay taxes and duties within the specified timeframe without the need for notice or request from the RRA. If a taxpayer doesn't fulfill any of the responsibilities mentioned earlier, they could be seen as non-compliant. How willing and how someone behaves regarding taxes significantly affects compliance rates. To reach the ideal compliance level, it's crucial to focus on customer behavior and strategies for influencing it. This approach helps tax authorities select the most cost-effective and impactful methods to address non-compliant behaviors. This concept is elaborated further in the OECD Compliance pyramid and behavior model depicted below:

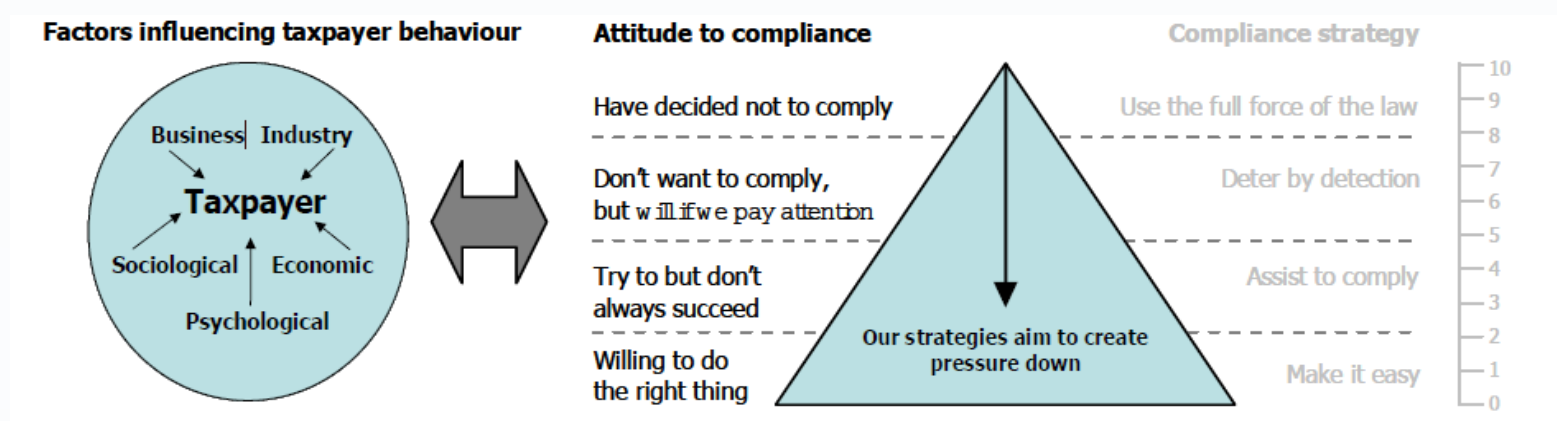


Figure 1: Compliance model

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 there is an overall positive trend in compliance, we recognize the ongoing necessity to not only uphold existing levels of voluntary compliance but also to cultivate an environment increasingly supportive of full compliance from all taxpayers. This involves continuously monitoring compliance levels among taxpayers, traders and other stakeholders, pinpointing areas of both high and low compliance and comprehensively understanding the factors driving such behaviours. With this insight, we can develop appropriate strategies aligned with our compliance approach to either maintain or modify behaviour as needed. To ensure the breadth and inclusivity of our Compliance Improvement Plan and to explicitly target changes in the compliance landscape, we used the following methods to detect noncompliance:

Analysis:

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

Study:

- Economic sector performance and tax compliance (2023)

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

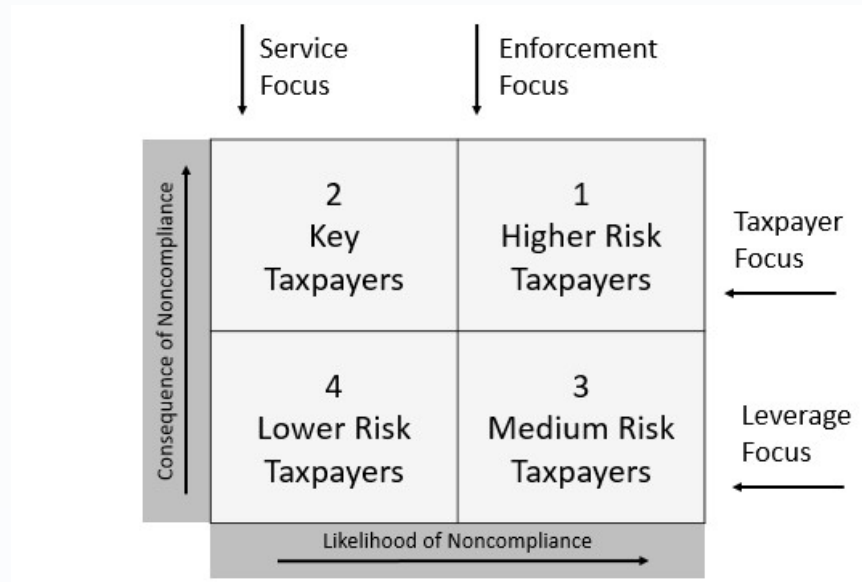


Figure 2: RRA Risk Differentiation Framework

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 2024-2025 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
- Hotels, bars and restaurants sector
- Professional activities

Customs Taxes

- Importers who dealt with high-risk commodities
- Importers who imported goods from high-risk origin
- 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 2024-2025 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

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.

| Key Compliance Risks | Risk Treatments |
|---|--|
| <p>1. Registration risk: High</p> <ul style="list-style-type: none"> • Significant potential operating businesses not registered as Taxpayers; • Landlords with Commercial buildings and rental income worth Frw 20 million in LGT not registered in VAT; • Importers importing Vatable goods with CIF eligible for VAT registration but not registered; • Taxpayers with taxable sales eligible for VAT but not registered; • Taxpayers with pension contribution declarations but not registered in PAYE. <p>2. Filing risk: High</p> <ul style="list-style-type: none"> • Many small Taxpayers lack of understanding of tax obligations; • Late filing and missing returns. | <p>1. Education</p> <ul style="list-style-type: none"> • Education seminars to new registered taxpayers; • Conduct taxpayer engagement programs to identified business sectors or taxpayer/ public groups; • Conducting anti-smuggling awareness campaigns; • Produce practice notes on domestic taxes laws; • Prepare and publish registration compliance practice notes/handouts on social media; • Conduct a meeting with potential non-filers to identify root causes of non-filing; • Identify and engage most viewed YouTube channels on tax compliance advertisements. <p>2. Support</p> <ul style="list-style-type: none"> • Engage and monitor non-filers and late filers to ensure voluntary compliance; • Engage and monitor taxpayers not paying on time by use of various mechanisms; • Establish mechanisms for engaging tax debtors to voluntarily settle their tax arrears; • Roll out the usage of Customer Relationship Management system (CRM) in OSC and Service centers; • Voluntary disclosure; • Assign relationship managers to 40 large taxpayers. |

3. Payment risk:

High

- Late payment and non-payment of due taxes.

4. Inaccurate and incomplete reporting risk:

High

- Under declaration of income;
- Inflated expenses and continual losses;
- Tax planning;
- Purchases and expenses being redirected for personal use;
- Under-pricing on EBM invoices.

3. Simplification or process improvement

- Implement new EBM solution for micro taxpayers;
- Extend the usage of Electronic Invoicing system to active taxpayers;
- Engage New Voice Union/Brand Rwanda Online (the association of radios in markets and car parks) on tax compliance advertisements;
- Engage Akagera Business Group on communicating arrivals at the Airport to request EBM invoices whenever they make purchases in Rwanda.

4. Detection

- Assess & identify potential taxpayers to be registered;
- Establish controls to validate information from single window, EBM and e-tax;
- Implement CAMA to establish real properties values;
- Conduct compliance risk analysis;
- Conduct Intelligence and Risk based investigation;
- Conducting anti-smuggling field operations;
- Develop tax controls;
- Develop model to predict taxpayers' compliance based on audit findings;
- Comparative analysis between VAT input claimed by buyers and VAT output declared by suppliers;
- Tax audits to risky taxpayers;
- Engage IMMIGRATION and EMMIGRATION office to share data on tourism visas and work permits.

5. Enforcement

- Register taxpayers identified through data matching, use of third-party information, risk analysis and field visits;
- Enforce usage of electronic payment mechanisms on all large and medium taxpayers;
- Analysis of stock to identify non-compliant sectors on EBM usage;
- Enforce EBM compliance (targeted field visits to specific non-compliant sectors and random field visits);
- Strengthen measures for debt recovery;
- Develop automated LGT system for sending out personalized messages.

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, manufacturing, hotels, bars and restaurants and professional activities sectors. On customs taxes the plan will focus on Importers who 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: education, support, simplification or process improvement, detection and enforcement.

The process starts by providing a weight to each metric where the total weight should be equal to 100 point 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

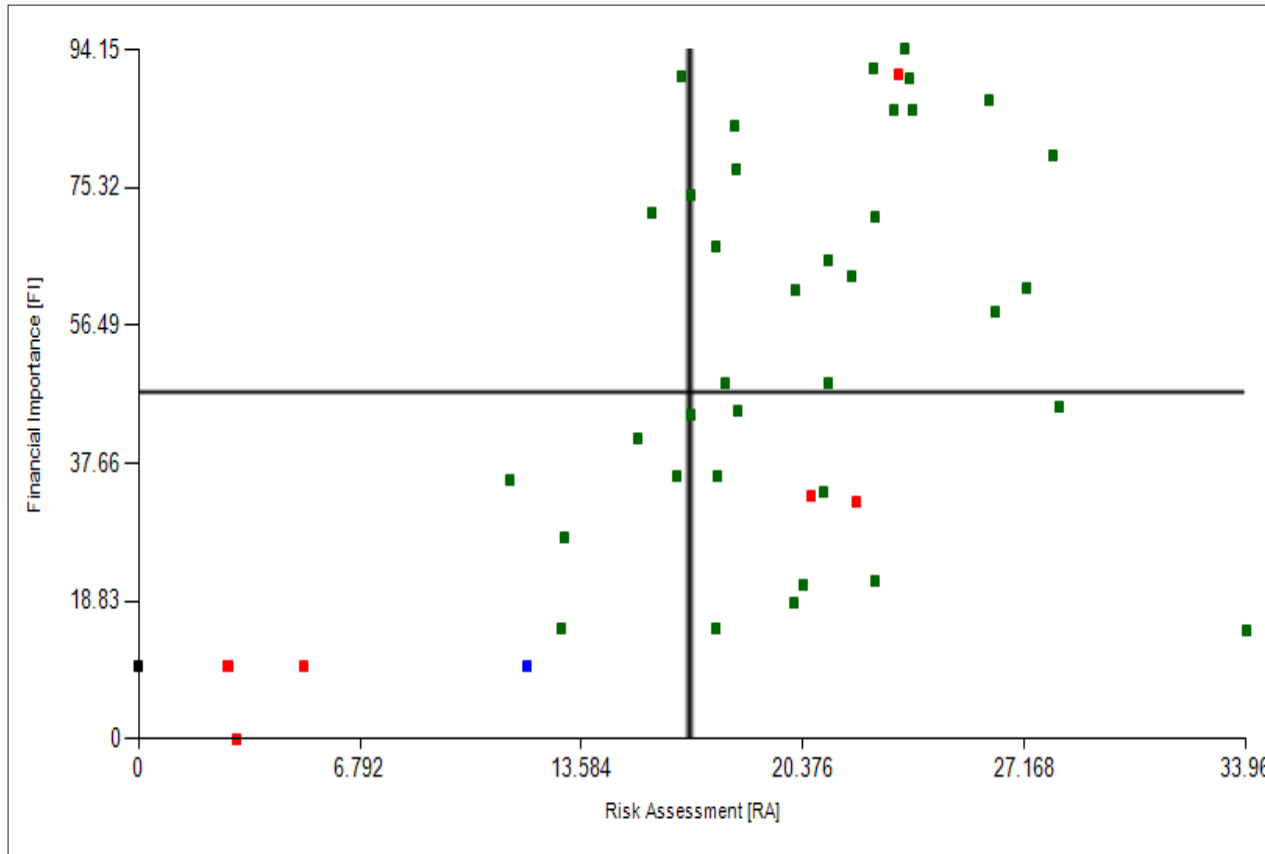
| FINANCIAL IMPORTANCE METRICS | RISK ASSESSMENT METRICS |
|-------------------------------|--|
| Income – 30% | Effective Tax Rate – 7% |
| Total Supplies – 35% | Ratio: Purchases to Supplies – 5% |
| Arrears – 10% | Ratio Payments Liabilities(All) – 5% |
| Payments (All Accounts) – 15% | Ratio VAT 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 3.3% of total CIT/PIT, 8.9% of total VAT and 2.1% of total PAYE (Calendar year 2023). The sector contributed 8% to the total GDP in the year 2023.

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\Reference | Black |
| \Tax\Revision | Orange |
| \Tax\VAT | Blue |

| Quadrant 2: Key Taxpayers | |
|---------------------------|------------------|
| Number of Taxpayers | 3 |
| Total Supplies | RF92,443,838,749 |
| Total Income | RF92,443,838,749 |
| Total Arrears | RF0 |
| Total Losses | (RF333,056,000) |
| Total Payments | RF3,827,518,221 |
| % Share of Collections | 24% |

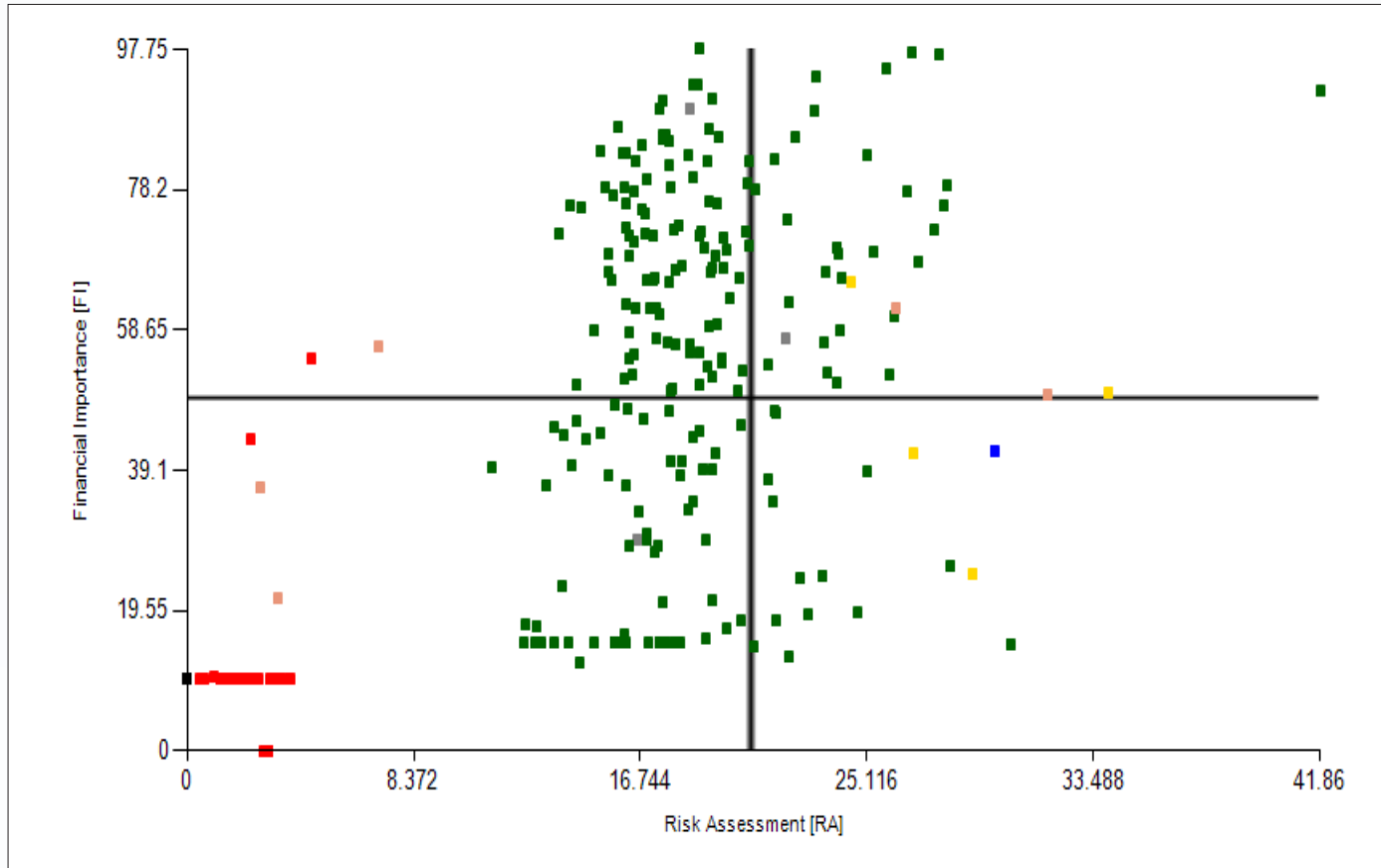
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|---------------------|
| Number of Taxpayers | 19 |
| Total Supplies | RF1,172,864,874,740 |
| Total Income | RF1,146,691,262,137 |
| Total Arrears | RF7 |
| Total Losses | (RF24,619,167,000) |
| Total Payments | RF10,169,101,308 |
| % Share of Collections | 65% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|------------------|
| Number of Taxpayers | 12 |
| Total Supplies | RF12,623,994,264 |
| Total Income | RF12,631,841,967 |
| Total Arrears | RF0 |
| Total Losses | (RF109,990,000) |
| Total Payments | RF809,319,020 |
| % Share of Collections | 5% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-------------------|
| Number of Taxpayers | 11 |
| Total Supplies | RF17,682,965,092 |
| Total Income | RF17,687,275,917 |
| Total Arrears | RF0 |
| Total Losses | (RF2,533,409,000) |
| Total Payments | RF904,300,326 |
| % Share of Collections | 6% |

| Distribution of Profiles by Risk Category | | |
|---|----|-------|
| Risk Assessment Category | # | % |
| \Tax\CIT | 36 | 81.82 |
| \Tax\Filing | 7 | 15.91 |
| \Tax\VAT | 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\Reference | Black |
| \Tax\Revision | Orange |
| \Tax\VAT | Blue |

| Quadrant 2: Key Taxpayers | |
|---------------------------|-------------------|
| Number of Taxpayers | 101 |
| Total Supplies | RF687,694,564,352 |
| Total Income | RF642,907,072,714 |
| Total Arrears | RF75,645,505 |
| Total Losses | (RF4,793,416,000) |
| Total Payments | RF5,226,988,430 |
| % Share of Collections | 58% |

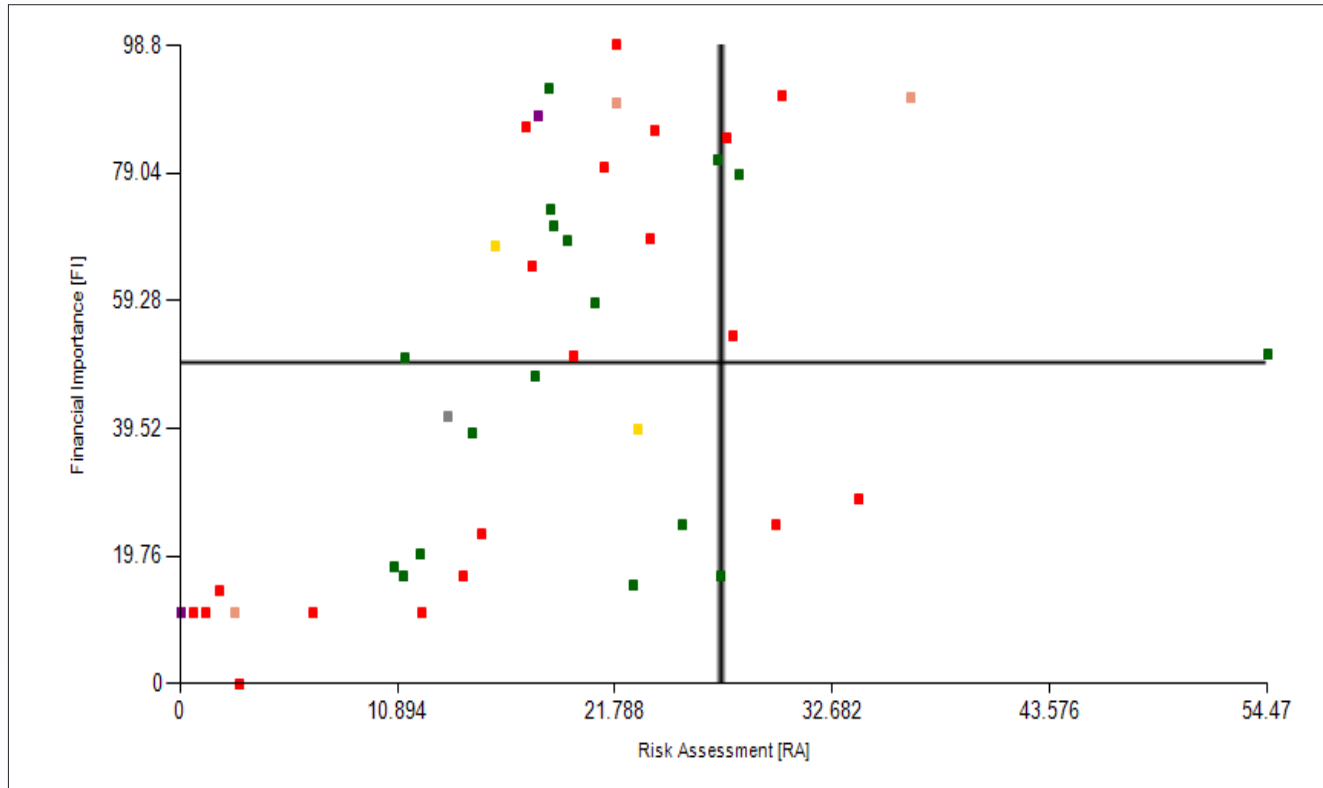
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|--------------------|
| Number of Taxpayers | 34 |
| Total Supplies | RF434,873,888,862 |
| Total Income | RF445,272,972,857 |
| Total Arrears | RF842,337,657 |
| Total Losses | (RF24,708,247,000) |
| Total Payments | RF2,724,723,832 |
| % Share of Collections | 30% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|-------------------|
| Number of Taxpayers | 114 |
| Total Supplies | RF20,433,050,142 |
| Total Income | RF37,070,061,664 |
| Total Arrears | RF11,332,149 |
| Total Losses | (RF4,433,598,000) |
| Total Payments | RF930,348,870 |
| % Share of Collections | 10% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|------------------------|
| Number of Taxpayers | 16 |
| Total Supplies | RF5,962,795,232 |
| Total Income | RF11,294,900,985 |
| Total Arrears | RF59,117,195 |
| Total Losses | (RF10,000,809,113,000) |
| Total Payments | RF125,131,783 |
| % Share of Collections | 1% |

| Distribution of Profiles by Risk Category | | |
|---|-----|-------|
| Risk Assessment Category | # | % |
| \Customs | 3 | 1.19 |
| \Tax\CIT | 204 | 80.63 |
| \Tax\Filing | 36 | 14.23 |
| \Tax\Payment | 4 | 1.58 |
| \Tax\Revision | 5 | 1.98 |
| \Tax\VAT | 1 | 0.4 |

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\Reference | Black |
| \Tax\Revision | Orange |
| \Tax\VAT | Blue |

| Quadrant 2: Key Taxpayers | |
|----------------------------------|------------------|
| Number of Taxpayers | 17 |
| Total Supplies | RF95,404,069,861 |
| Total Income | RF95,762,708,028 |
| Total Arrears | RF0 |
| Total Losses | (RF125,394,000) |
| Total Payments | RF1,317,235,081 |
| % Share of Collections | 65% |

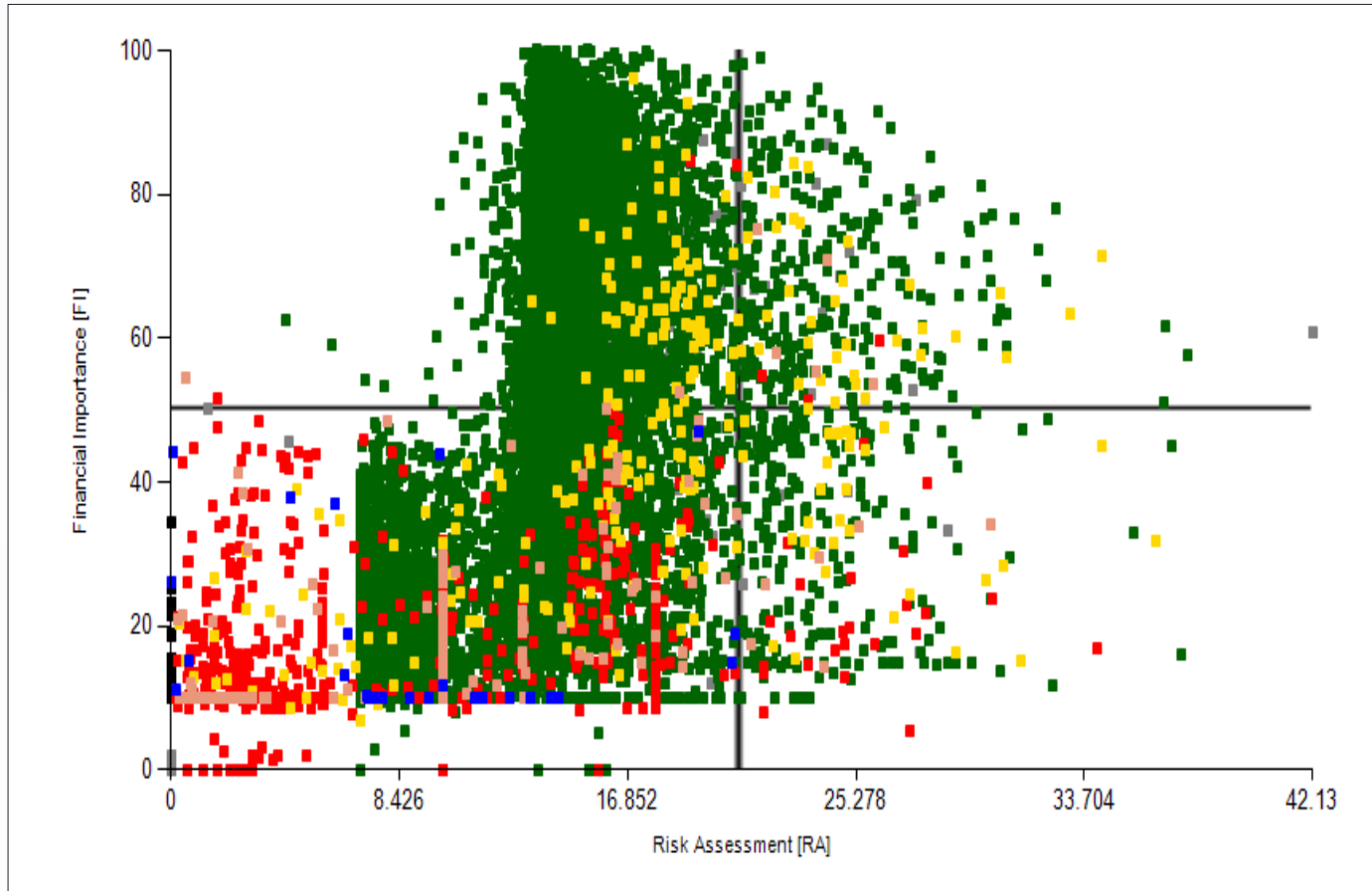
| Quadrant 1: High Risk Taxpayers | |
|--|------------------|
| Number of Taxpayers | 6 |
| Total Supplies | RF37,650,005,454 |
| Total Income | RF37,650,005,456 |
| Total Arrears | RF4,174,134 |
| Total Losses | (RF314,200,000) |
| Total Payments | RF668,602,184 |
| % Share of Collections | 33% |

| Quadrant 4: Lower Risk Taxpayers | |
|---|-----------------|
| Number of Taxpayers | 23 |
| Total Supplies | RF1,270,183,321 |
| Total Income | RF1,264,589,832 |
| Total Arrears | RF3,483,587 |
| Total Losses | (RF118,847,000) |
| Total Payments | RF43,186,142 |
| % Share of Collections | 2% |

| Quadrant 3: Medium Risk Taxpayers | |
|--|---------------|
| Number of Taxpayers | 2 |
| Total Supplies | RF46,112,558 |
| Total Income | RF38,201,541 |
| Total Arrears | RF0 |
| Total Losses | (RF4,448,000) |
| Total Payments | RF4,158,777 |
| % Share of Collections | 0% |

| Distribution of Profiles by Risk Category | | |
|--|----|-------|
| Risk Assessment Category | # | % |
| \Customs | 1 | 2.08 |
| \Tax\Filing | 20 | 41.67 |
| \Tax\MULTITAX | 5 | 10.42 |
| \Tax\Payment | 2 | 4.17 |
| \Tax\PIT | 17 | 35.42 |
| \Tax\Revision | 3 | 6.25 |

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 taxpayers.

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

Quadrant 2: Key Taxpayers

| | |
|------------------------|---------------------|
| Number of Taxpayers | 5,069 |
| Total Supplies | RF3,017,530,493,014 |
| Total Income | RF3,212,316,331,955 |
| Total Arrears | RF5,881,256,396 |
| Total Losses | (RF78,749,076,000) |
| Total Payments | RF45,535,940,876 |
| % Share of Collections | 93% |

Quadrant 1: High Risk Taxpayers

| | |
|------------------------|-------------------|
| Number of Taxpayers | 318 |
| Total Supplies | RF291,445,522,902 |
| Total Income | RF325,525,844,359 |
| Total Arrears | RF2,690,454,006 |
| Total Losses | (RF9,376,630,000) |
| Total Payments | RF1,817,602,452 |
| % Share of Collections | 4% |

Quadrant 4: Lower Risk Taxpayers

| | |
|------------------------|--------------------|
| Number of Taxpayers | 24,490 |
| Total Supplies | RF90,082,009,017 |
| Total Income | RF195,548,936,422 |
| Total Arrears | RF3,809,494,757 |
| Total Losses | (RF15,249,765,000) |
| Total Payments | RF1,400,084,893 |
| % Share of Collections | 3% |

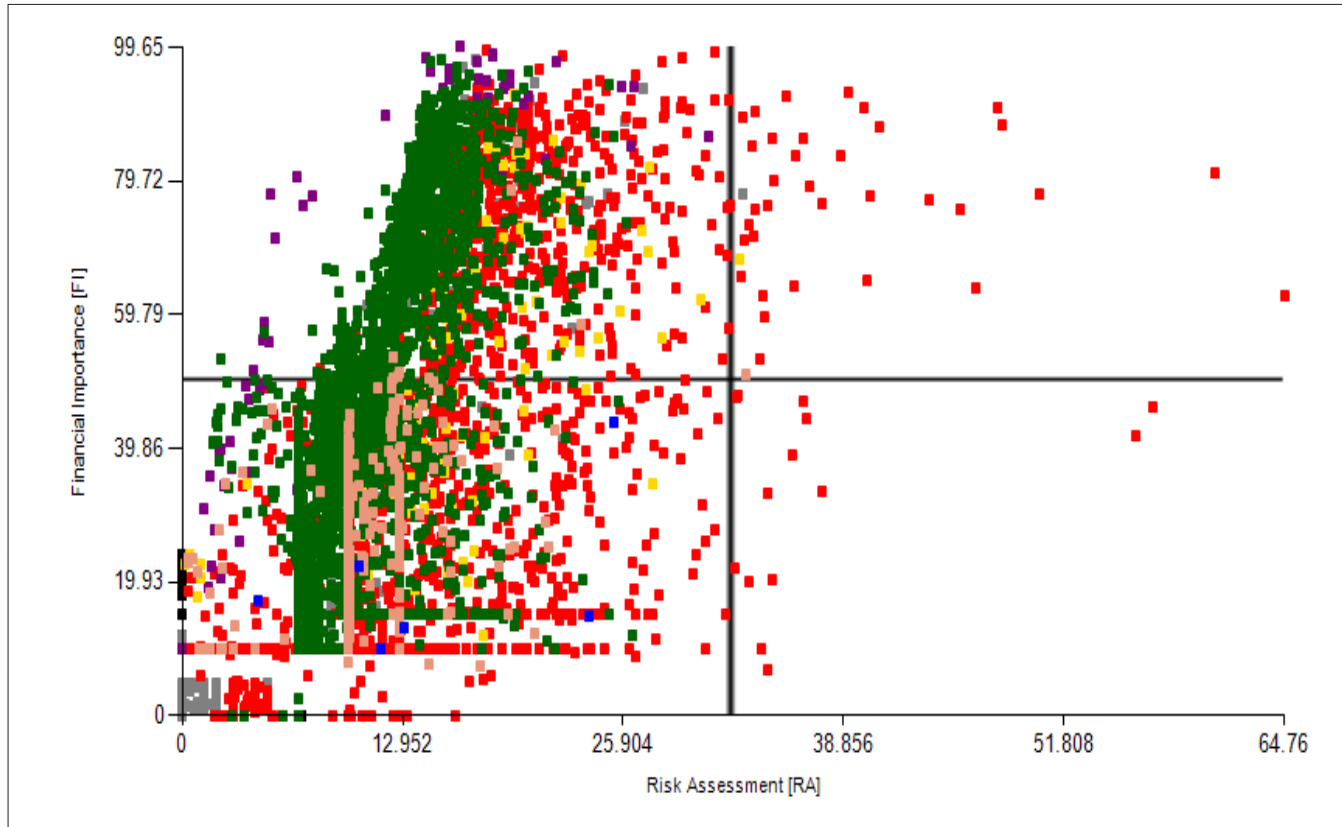
Quadrant 3: Medium Risk Taxpayers

| | |
|------------------------|-------------------|
| Number of Taxpayers | 285 |
| Total Supplies | RF8,786,014,414 |
| Total Income | RF7,320,807,496 |
| Total Arrears | RF1,006,579,660 |
| Total Losses | (RF1,175,946,000) |
| Total Payments | RF73,523,218 |
| % Share of Collections | 0% |

Distribution of Profiles by Risk Category

| Risk Assessment Category | # | % |
|--------------------------|-------|-------|
| \Customs | 235 | 0.8 |
| \Tax\CIT | 18808 | 63.81 |
| \Tax\Filing | 9784 | 33.19 |
| \Tax\Payment | 256 | 0.87 |
| \Tax\Revision | 368 | 1.25 |
| \Tax\VAT | 25 | 0.08 |

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\Reference | Black |
| \Tax\Revision | Orange |
| \Tax\VAT | Blue |

Quadrant 2: Key Taxpayers

| | |
|------------------------|-------------------|
| Number of Taxpayers | 1,635 |
| Total Supplies | RF257,773,542,216 |
| Total Income | RF296,883,393,111 |
| Total Arrears | RF518,017,073 |
| Total Losses | (RF2,560,032,000) |
| Total Payments | RF1,992,669,059 |
| % Share of Collections | 77% |

Quadrant 1: High Risk Taxpayers

| | |
|------------------------|-----------------|
| Number of Taxpayers | 37 |
| Total Supplies | RF8,806,456,810 |
| Total Income | RF9,189,281,413 |
| Total Arrears | RF53,086,827 |
| Total Losses | (RF846,212,000) |
| Total Payments | RF25,028,226 |
| % Share of Collections | 1% |

Quadrant 4: Lower Risk Taxpayers

| | |
|------------------------|-------------------|
| Number of Taxpayers | 56,624 |
| Total Supplies | RF7,681,744,645 |
| Total Income | RF94,888,483,608 |
| Total Arrears | RF679,490,948 |
| Total Losses | (RF2,018,922,000) |
| Total Payments | RF576,831,840 |
| % Share of Collections | 22% |

Quadrant 3: Medium Risk Taxpayers

| | |
|------------------------|----------------|
| Number of Taxpayers | 14 |
| Total Supplies | RF137,131,442 |
| Total Income | RF110,469,267 |
| Total Arrears | RF8,416,544 |
| Total Losses | (RF48,551,000) |
| Total Payments | RF843,101 |
| % Share of Collections | 0% |

Distribution of Profiles by Risk Category

| Risk Assessment Category | # | % |
|--------------------------|-------|-------|
| \Customs | 352 | 0.6 |
| \Tax\Filing | 28832 | 49.51 |
| \Tax\MULTITAX | 374 | 0.64 |
| \Tax\Payment | 246 | 0.42 |
| \Tax\PIT | 27006 | 46.37 |
| \Tax\Revision | 1419 | 2.44 |
| \Tax\VAT | 6 | 0.01 |

Compliance Strategy: Wholesale and Retail Trade Sector

The wholesale and retail trade sector represent a significant share of the tax base. The sector contributes 3.3% of total CIT/PIT, 8.9% of total VAT and 2.1% of total PAYE (Calendar year 2023). The sector contributed 8% to the total GDP in the year 2023. 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 noncompliance. To break the culture, a well-coordinated media campaign will be initiated, compliance education seminars will be organized, advisory visits, tax audits and enforcement of tax arrears will be conducted.

| 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 which they are eligible. <p>2. Filing risk High</p> <ul style="list-style-type: none"> • Missing tax returns; • Late filing of tax returns. <p>3. Payment risk: High</p> <ul style="list-style-type: none"> • The majority of arrears are associated with small & micro enterprises. <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"> - Expensing Personal insurance; - Expensing penalties; | <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"> - Better understand noncompliance; - Communicate with enterprises and individuals in the sector; • Compile and send sector compliance risks through Taxpayers' emails. <p>2. Detection</p> <ul style="list-style-type: none"> • Carryout tax audits to risky taxpayers; • Data analysis to identify non-compliance (underreporting) cases. |

- Expenses for personal use;
- Expenses not related to the business;
- Expensing interests on delayed payments to suppliers;
- Security deposits for rent expensed;
- Expenses declared twice;
- Expenses not recorded in incurred period;
- Depreciation of assets not related to the business.
- 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;
- Understatement of sales;
- Inappropriate usage of EBM;
- Goods in transit declared as part of opening stock instead of being a part of closing stock or purchase for next year;
- VAT input claimed in inappropriate period;
- Overstatement of VAT paid on local purchases;
- Undeclared opening and closing stock;
- Non declaration of income from incentives.

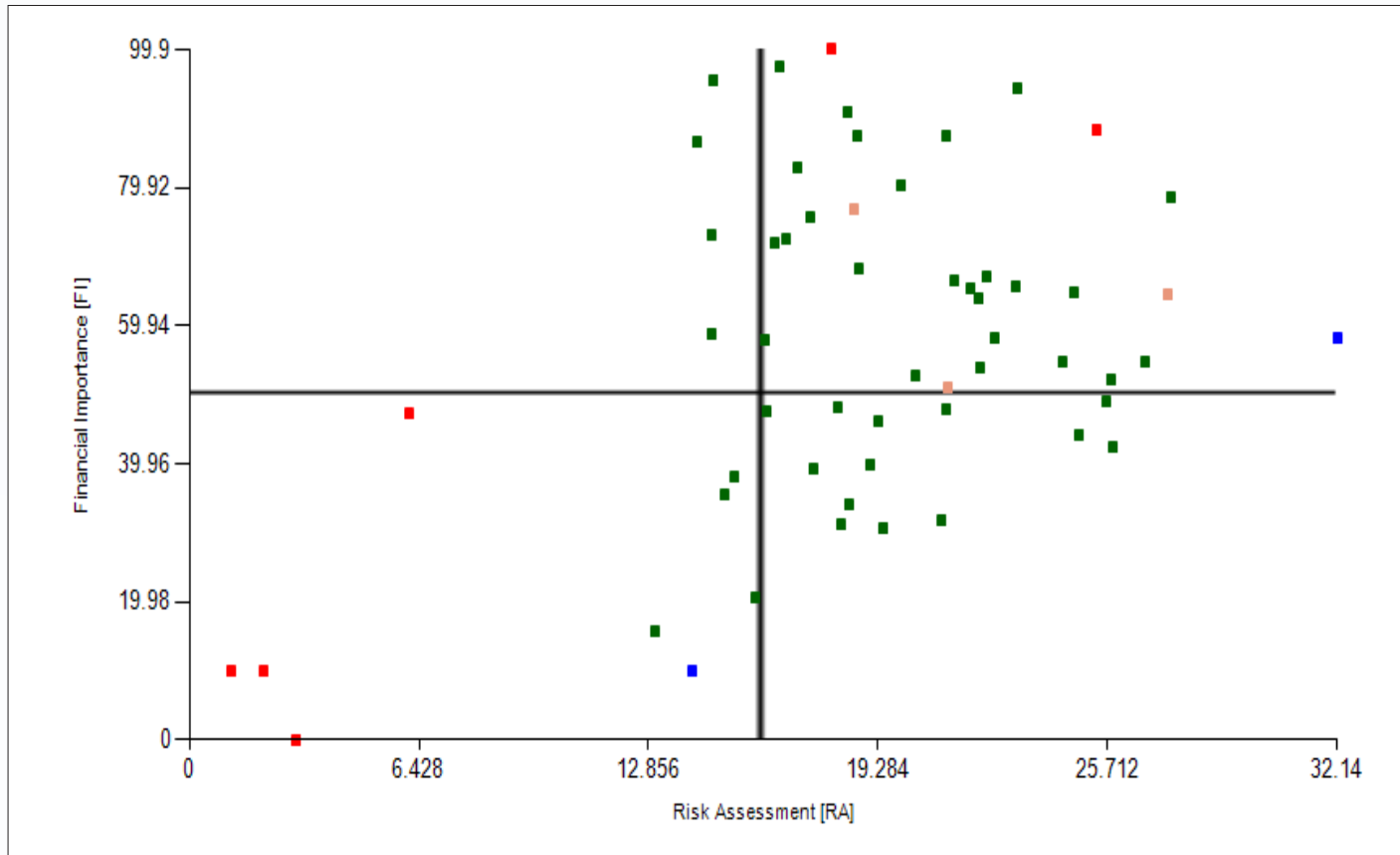
3. Enforcement

- Taxpayers' recruitment on central taxes;
- Identify, monitor and follow up non-filers and non-payers;
- Automated SMS to remind of filing and payment obligations;
- Enforcement of tax arrears.

8.1.2 Manufacturing Sector

The manufacturing sector represents a significant share of the tax base. The sector contributes 1.9% of total CIT/PIT, 13.9% of total VAT and 2.2% of total PAYE (Calendar year 2023). The sector contributed 10% to the total GDP in the year 2023.

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\Reference | Black |
| \Tax\Revision | Orange |
| \Tax\VAT | Blue |

| Quadrant 2: Key Taxpayers | |
|---------------------------|-------------------|
| Number of Taxpayers | 4 |
| Total Supplies | RF152,564,493,997 |
| Total Income | RF153,091,956,310 |
| Total Arrears | RF0 |
| Total Losses | RF0 |
| Total Payments | RF21,608,409,861 |
| % Share of Collections | 17% |

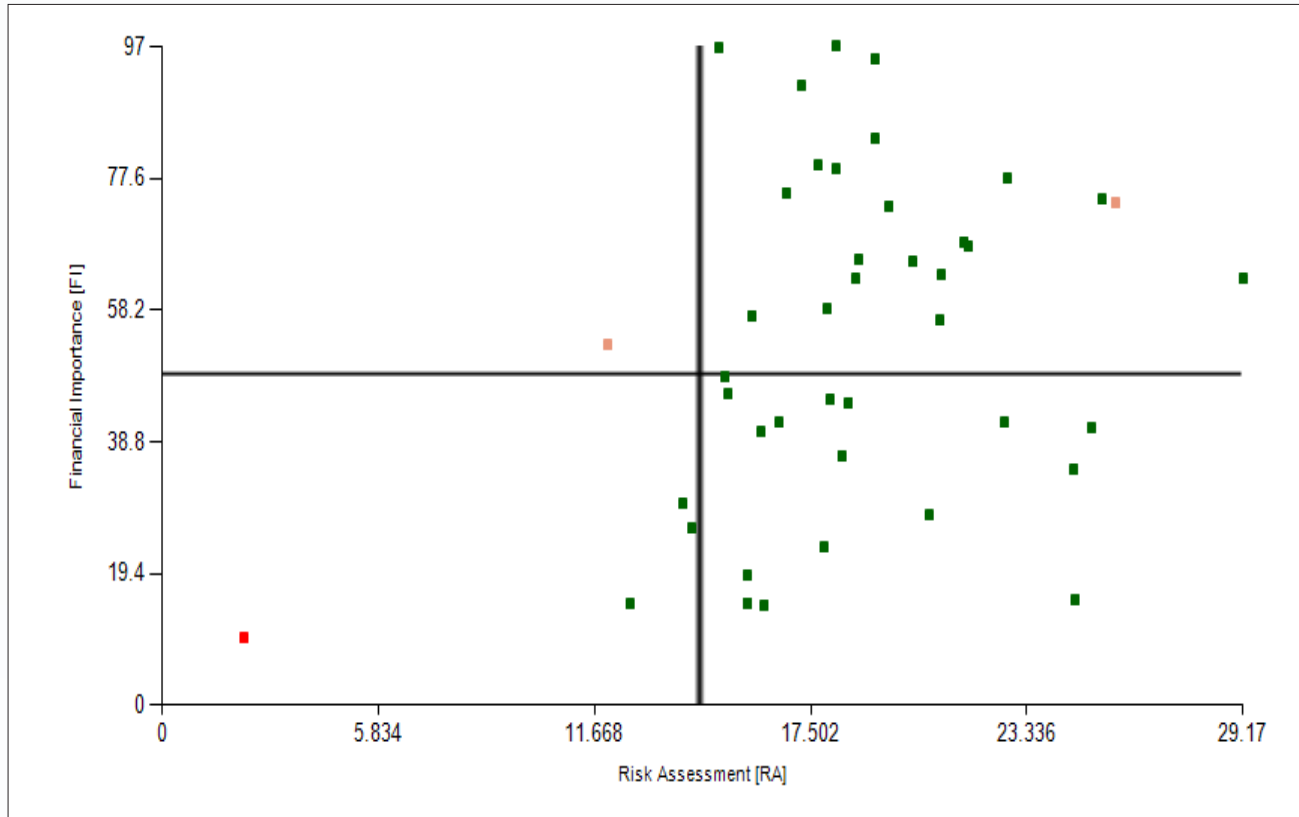
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|---------------------|
| Number of Taxpayers | 31 |
| Total Supplies | RF1,090,598,116,449 |
| Total Income | RF1,062,740,542,088 |
| Total Arrears | RF0 |
| Total Losses | (RF22,236,724,000) |
| Total Payments | RF103,080,105,023 |
| % Share of Collections | 80% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|-------------------|
| Number of Taxpayers | 9 |
| Total Supplies | RF19,708,565,361 |
| Total Income | RF7,551,810,300 |
| Total Arrears | RF0 |
| Total Losses | (RF1,178,311,000) |
| Total Payments | RF1,867,344,627 |
| % Share of Collections | 1% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-------------------|
| Number of Taxpayers | 13 |
| Total Supplies | RF46,422,055,524 |
| Total Income | RF47,283,119,769 |
| Total Arrears | RF4,729 |
| Total Losses | (RF8,214,543,000) |
| Total Payments | RF2,551,555,061 |
| % Share of Collections | 2% |

| Distribution of Profiles by Risk Category | | |
|---|----|-------|
| Risk Assessment Category | # | % |
| \Tax\CIT | 46 | 80.7 |
| \Tax\Filing | 6 | 10.53 |
| \Tax\Revision | 3 | 5.26 |
| \Tax\VAT | 2 | 3.51 |

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 | 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 | RF6,434,111,314 |
| Total Income | RF0 |
| Total Arrears | RF0 |
| Total Losses | RF0 |
| Total Payments | RF77,631,482 |
| % Share of Collections | 1% |

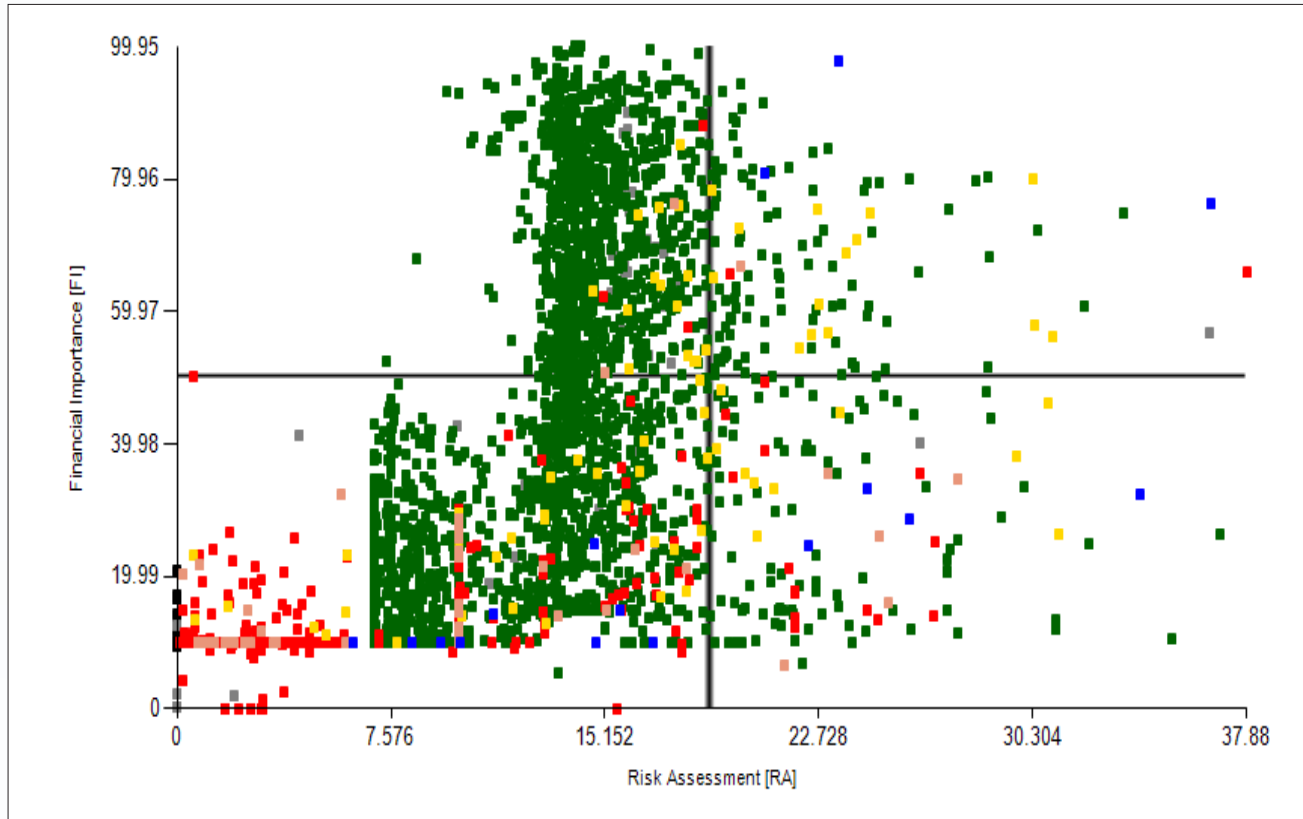
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|-------------------|
| Number of Taxpayers | 22 |
| Total Supplies | RF124,033,700,159 |
| Total Income | RF120,998,335,746 |
| Total Arrears | RF1 |
| Total Losses | (RF1,932,336,000) |
| Total Payments | RF7,313,995,918 |
| % Share of Collections | 92% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|---------------|
| Number of Taxpayers | 4 |
| Total Supplies | RF179,575,319 |
| Total Income | RF179,575,319 |
| Total Arrears | RF0 |
| Total Losses | RF0 |
| Total Payments | RF34,219,898 |
| % Share of Collections | 0% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-----------------|
| Number of Taxpayers | 17 |
| Total Supplies | RF6,491,967,980 |
| Total Income | RF6,881,554,387 |
| Total Arrears | RF46,823,334 |
| Total Losses | (RF264,865,000) |
| Total Payments | RF552,756,040 |
| % Share of Collections | 7% |

| Distribution of Profiles by Risk Category | | |
|---|----|-------|
| Risk Assessment Category | # | % |
| \Tax\CIT | 41 | 93.18 |
| \Tax\Filing | 1 | 2.27 |
| \Tax\Revision | 2 | 4.55 |

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\Reference | Black |
| \Tax\Revision | Orange |
| \Tax\VAT | Blue |

| Quadrant 2: Key Taxpayers | |
|---------------------------|--------------------|
| Number of Taxpayers | 968 |
| Total Supplies | RF632,536,468,096 |
| Total Income | RF663,049,300,220 |
| Total Arrears | RF515,108,359 |
| Total Losses | (RF64,654,991,000) |
| Total Payments | RF43,884,192,568 |
| % Share of Collections | 95% |

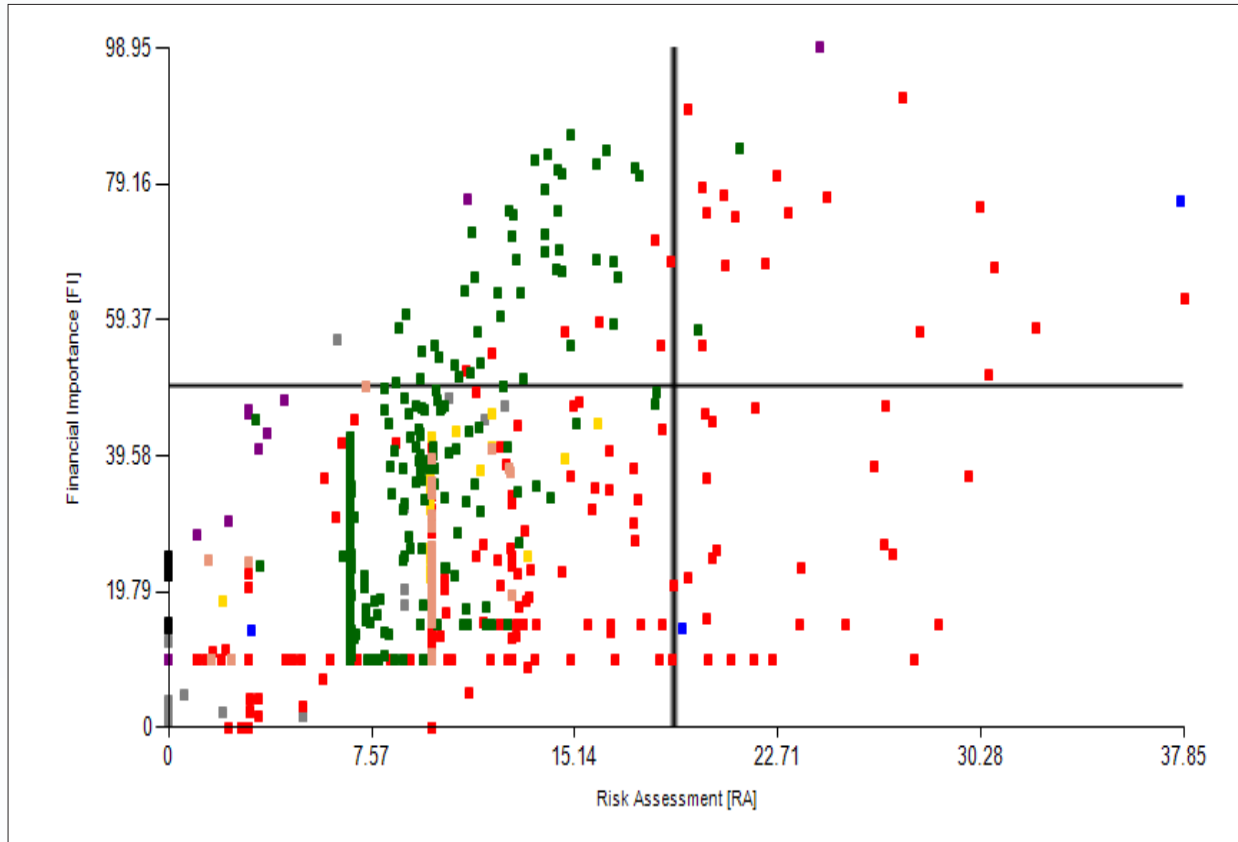
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|--------------------|
| Number of Taxpayers | 121 |
| Total Supplies | RF80,593,342,670 |
| Total Income | RF76,135,018,423 |
| Total Arrears | RF866,835,892 |
| Total Losses | (RF14,303,471,000) |
| Total Payments | RF1,130,221,043 |
| % Share of Collections | 2% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|-------------------|
| Number of Taxpayers | 6,641 |
| Total Supplies | RF10,038,659,763 |
| Total Income | RF27,898,222,103 |
| Total Arrears | RF627,434,177 |
| Total Losses | (RF3,858,380,000) |
| Total Payments | RF681,891,537 |
| % Share of Collections | 1% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-------------------|
| Number of Taxpayers | 127 |
| Total Supplies | RF1,439,839,970 |
| Total Income | RF2,336,316,800 |
| Total Arrears | RF200,502,311 |
| Total Losses | (RF9,305,578,000) |
| Total Payments | RF506,176,975 |
| % Share of Collections | 1% |

| Distribution of Profiles by Risk Category | | |
|---|------|-------|
| Risk Assessment Category | # | % |
| \Customs | 41 | 0.54 |
| \Tax\CIT | 4593 | 59.95 |
| \Tax\Filing | 2854 | 37.25 |
| \Tax\Payment | 71 | 0.93 |
| \Tax\Revision | 86 | 1.12 |
| \Tax\VAT | 16 | 0.21 |

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 | 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 | 56 |
| Total Supplies | RF3,654,188,109 |
| Total Income | RF4,570,346,661 |
| Total Arrears | RF6,573,541 |
| Total Losses | (RF29,913,000) |
| Total Payments | RF72,740,880 |
| % Share of Collections | 28% |

Quadrant 1: High Risk Taxpayers

| | |
|------------------------|-----------------|
| Number of Taxpayers | 22 |
| Total Supplies | RF5,615,669,137 |
| Total Income | RF5,784,639,976 |
| Total Arrears | RF12,268,350 |
| Total Losses | (RF198,667,000) |
| Total Payments | RF35,184,674 |
| % Share of Collections | 14% |

Quadrant 4: Lower Risk Taxpayers

| | |
|------------------------|-----------------|
| Number of Taxpayers | 2,993 |
| Total Supplies | RF675,002,574 |
| Total Income | RF4,260,261,127 |
| Total Arrears | RF29,281,431 |
| Total Losses | (RF28,150,000) |
| Total Payments | RF146,837,670 |
| % Share of Collections | 57% |

Quadrant 3: Medium Risk Taxpayers

| | |
|------------------------|---------------|
| Number of Taxpayers | 23 |
| Total Supplies | RF290,094,152 |
| Total Income | RF66,884,191 |
| Total Arrears | RF39,898,068 |
| Total Losses | (RF113,000) |
| Total Payments | RF3,013,459 |
| % Share of Collections | 1% |

Distribution of Profiles by Risk Category

| Risk Assessment Category | # | % |
|--------------------------|------|-------|
| \Customs | 20 | 0.65 |
| \Tax\Filing | 1551 | 50.31 |
| \Tax\MULTITAX | 47 | 1.52 |
| \Tax\Payment | 23 | 0.75 |
| \Tax\PIT | 1363 | 44.21 |
| \Tax\Revision | 76 | 2.47 |
| \Tax\VAT | 3 | 0.1 |

Compliance Strategy: Manufacturing Sector

The manufacturing sector represent a significant share of the tax base. The sector contributes 1.9% of total CIT/PIT, 13.9% of total VAT and 2.2% of total PAYE (Calendar year 2023). The sector contributed 10% to the total GDP in the year 2023. It is a high-risk sector for all core compliance categories of registration, filing, payment and reporting. The strategies for improvement are education seminars, data analysis, advisory visits, meetings with manufacturers' clusters, tax audits and enforcement of tax arrears.

| 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 which they are eligible. <p>2. Filing risk High</p> <ul style="list-style-type: none"> • Missing tax returns; • Late filing of tax returns. <p>3. Payment risk: High</p> <ul style="list-style-type: none"> • The majority of arrears are associated with 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 for personal use; • 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; • Wrong amount of losses carried forward; | <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; • Streamlining the EBM stock monitoring function; • Cluster Manufactures in sub-sectors with similar products to conduct deep analysis on priority sub-sectors; • Organize meetings with manufacturers' clusters to have more clarification on the production ratios/mixing ratios used in production. |

- Destroyed, 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;
- 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;
- Difference between WHT tax of 5% declared and withholding paid in customs;
- Understatement of sales;
- Input VAT claimed on non-deductible expenses;
- Input VAT claimed not related to taxable goods and services;
- Taxable sales declared as zero-rated;
- Overstatement of input VAT paid on local purchases;
- Inappropriate usage of EBM:
 - Understatement of EBM invoice;
 - Cancellation of EBM sales without original invoices.

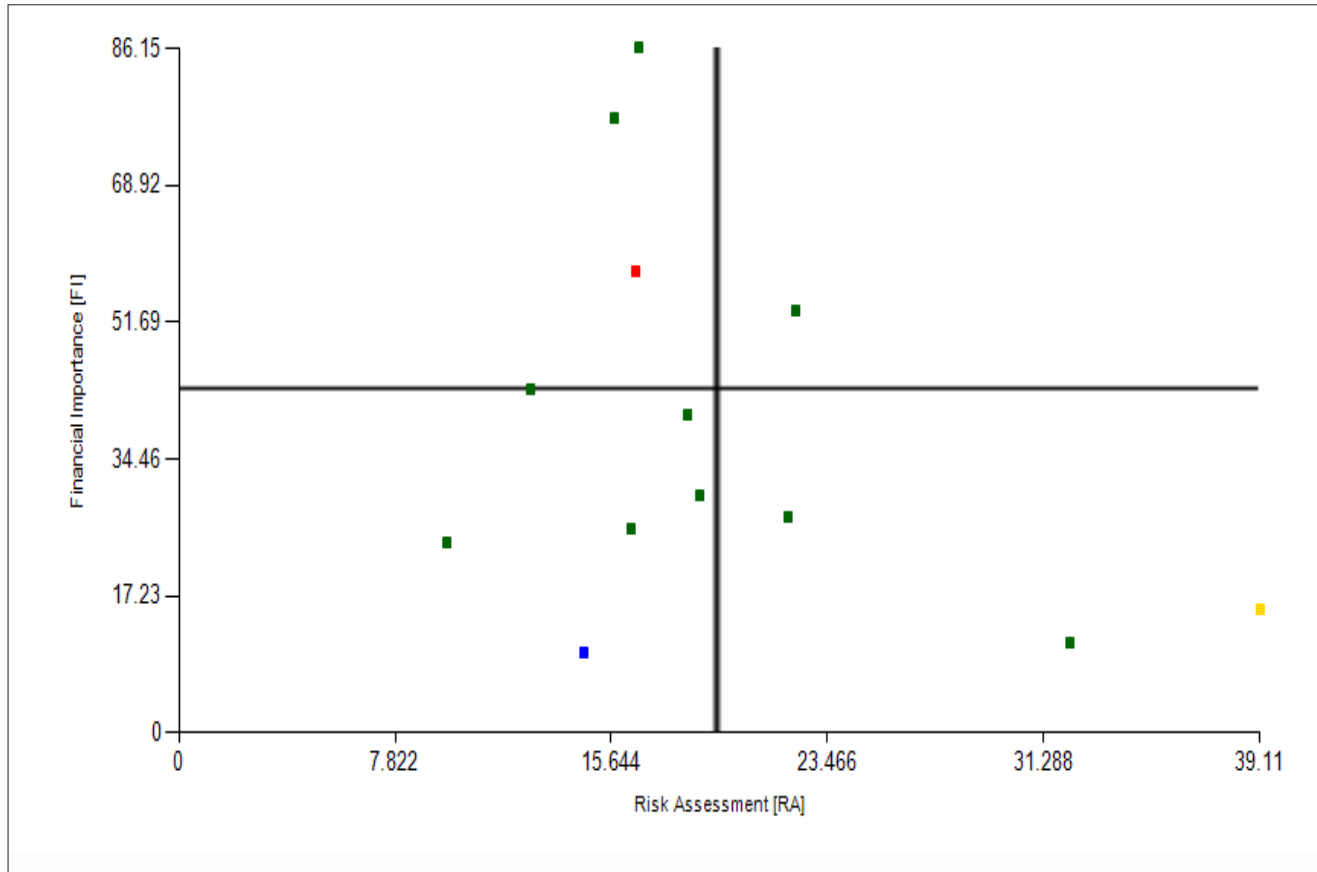
3. Enforcement

- Taxpayers' recruitment on central taxes;
- Identify, monitor and follow up non-filers and non-payers;
- Automated SMS to remind of filing and payment obligations;
- Enforcement of tax arrears;
- Identify and affix digital stamp on excisable and non-excisable products;
- Conduct field operations to enforce registration on excise duty.

8.1.3 Hotels, bars and restaurants Sector

The hotels, bars and restaurants sector represent a small percentage of the tax base. The sector contributes 0.9% of total CIT/PIT, 4.0% of total VAT and 1.0% of total PAYE (Calendar year 2023). The sector contributed 1% to the total GDP in the year 2023.

Figure 12: RDF results for Hotels, Bars and restaurants 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 | 4 |
| Total Supplies | RF58,665,935,504 |
| Total Income | RF58,692,353,530 |
| Total Arrears | RF0 |
| Total Losses | (RF5,184,157,000) |
| Total Payments | RF6,746,870,023 |
| % Share of Collections | 81% |

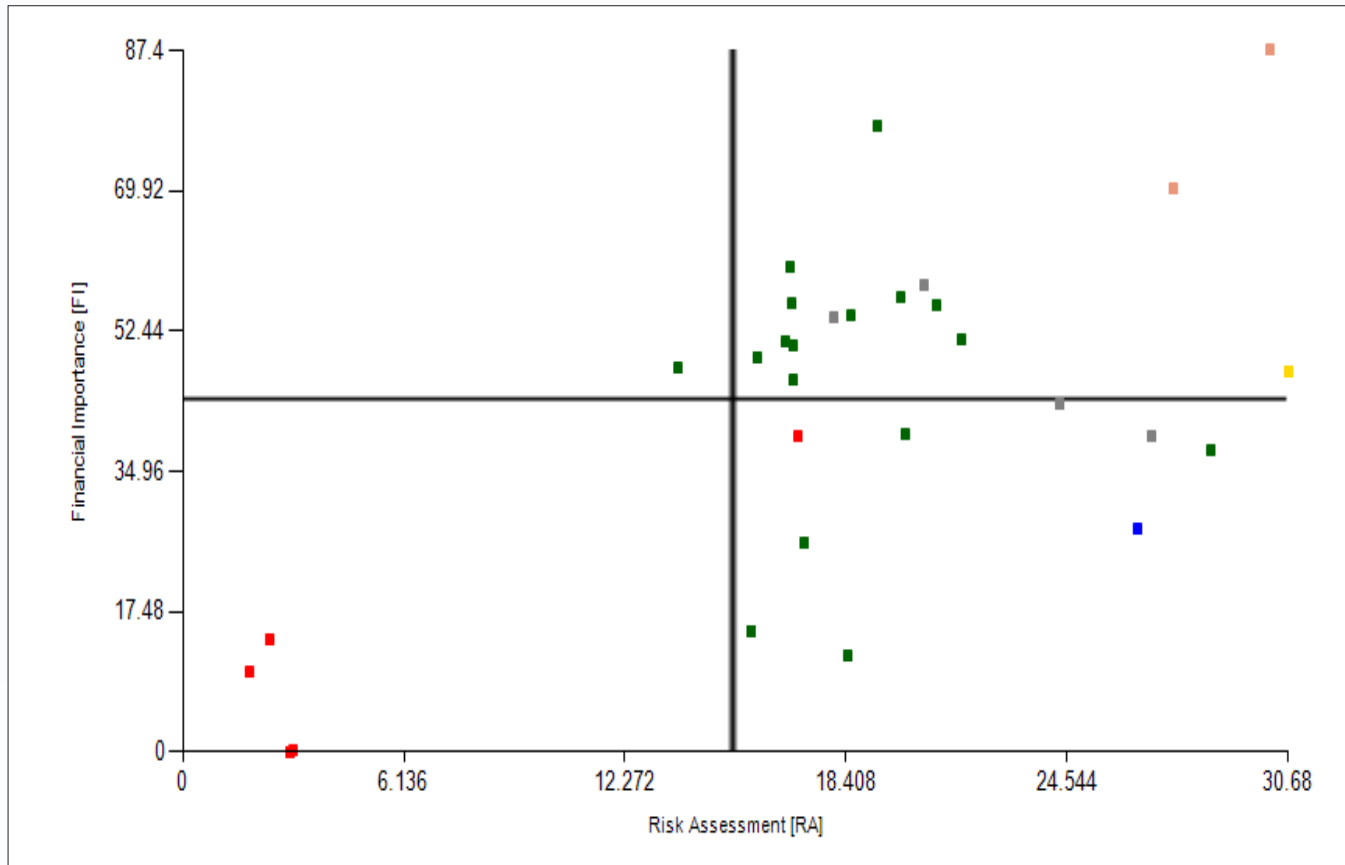
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|-------------------|
| Number of Taxpayers | 1 |
| Total Supplies | RF5,740,660,437 |
| Total Income | RF6,973,721,000 |
| Total Arrears | RF0 |
| Total Losses | (RF5,594,677,000) |
| Total Payments | RF696,197,667 |
| % Share of Collections | 8% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|-------------------|
| Number of Taxpayers | 5 |
| Total Supplies | RF6,684,258,981 |
| Total Income | RF6,729,930,274 |
| Total Arrears | RF0 |
| Total Losses | (RF4,972,134,000) |
| Total Payments | RF862,229,359 |
| % Share of Collections | 10% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-------------------|
| Number of Taxpayers | 3 |
| Total Supplies | RF3,311,377,794 |
| Total Income | RF3,311,377,794 |
| Total Arrears | RF95,325,347 |
| Total Losses | (RF2,424,262,000) |
| Total Payments | RF62,745,828 |
| % Share of Collections | 1% |

| Distribution of Profiles by Risk Category | | |
|---|----|-------|
| Risk Assessment Category | # | % |
| \Tax\CIT | 10 | 76.92 |
| \Tax\Filing | 1 | 7.69 |
| \Tax\Payment | 1 | 7.69 |
| \Tax\VAT | 1 | 7.69 |

Figure 13: RDF results for Hotels, Bars and restaurants 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 | RF1,050,085,418 |
| Total Income | RF1,050,085,418 |
| Total Arrears | RF0 |
| Total Losses | (RF54,768,000) |
| Total Payments | RF27,547,164 |
| % Share of Collections | 1% |

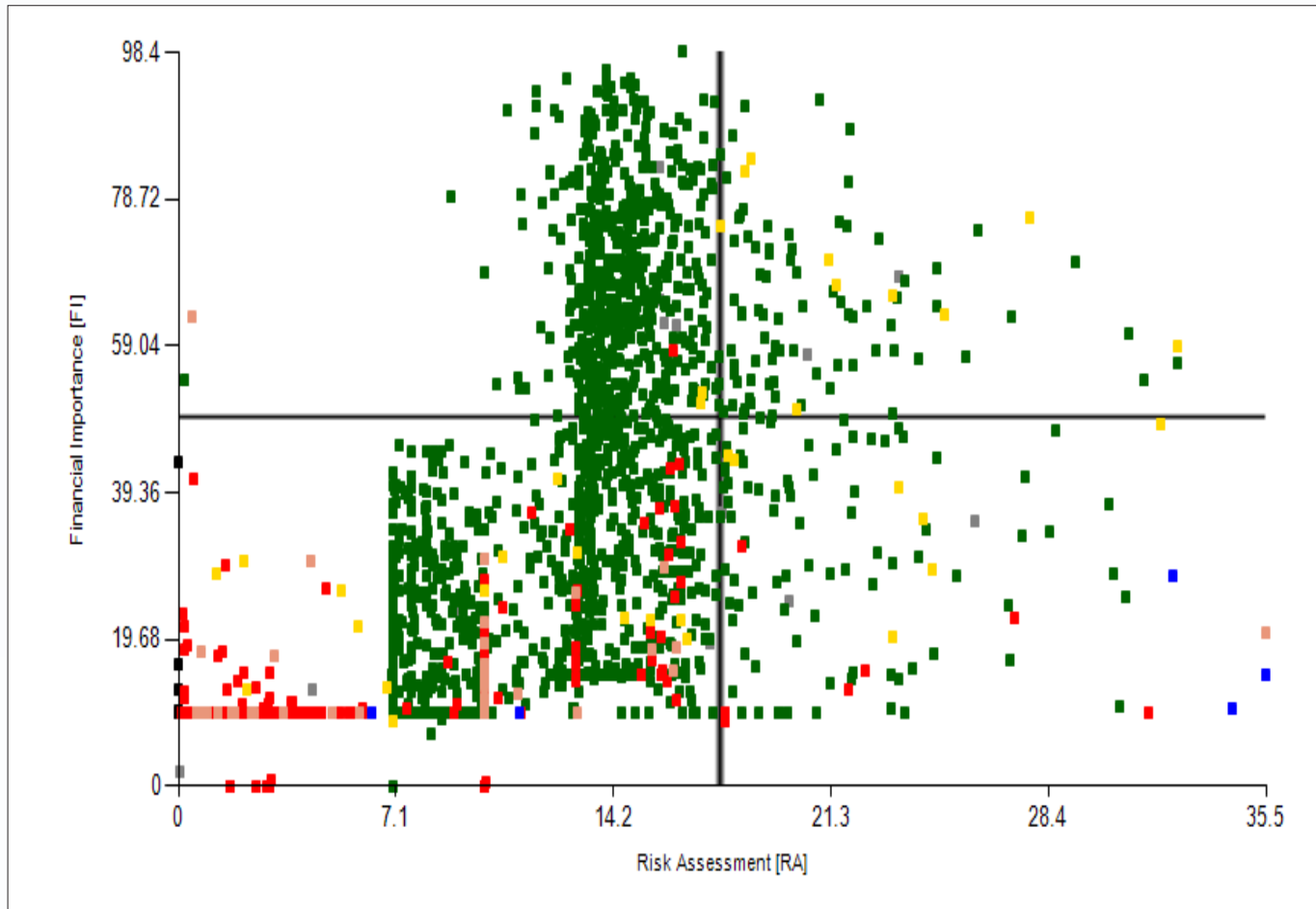
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|-------------------|
| Number of Taxpayers | 16 |
| Total Supplies | RF35,533,351,593 |
| Total Income | RF33,893,143,000 |
| Total Arrears | RF42,170,085 |
| Total Losses | (RF9,967,913,000) |
| Total Payments | RF1,790,982,857 |
| % Share of Collections | 92% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|--------------|
| Number of Taxpayers | 5 |
| Total Supplies | RF18,212,669 |
| Total Income | RF0 |
| Total Arrears | RF0 |
| Total Losses | RF0 |
| Total Payments | RF2,592,328 |
| % Share of Collections | 0% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-------------------|
| Number of Taxpayers | 11 |
| Total Supplies | RF4,170,042,790 |
| Total Income | RF4,631,108,415 |
| Total Arrears | RF2,784,863 |
| Total Losses | (RF4,526,383,000) |
| Total Payments | RF1,23,644,059 |
| % Share of Collections | 6% |

| Distribution of Profiles by Risk Category | | |
|---|----|-------|
| Risk Assessment Category | # | % |
| \Customs | 4 | 12.12 |
| \Tax\CIT | 19 | 57.58 |
| \Tax\Filing | 6 | 18.18 |
| \Tax\Payment | 1 | 3.03 |
| \Tax\Revision | 2 | 6.06 |
| \Tax\VAT | 1 | 3.03 |

Figure 14: RDF results for Hotels, Bars and restaurants 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 | Light Brown |
| \Tax\VAT | Blue |

| Quadrant 2: Key Taxpayers | |
|---------------------------|--------------------|
| Number of Taxpayers | 564 |
| Total Supplies | RF226,162,675,340 |
| Total Income | RF229,925,629,448 |
| Total Arrears | RF825,865,230 |
| Total Losses | (RF27,124,612,000) |
| Total Payments | RF20,353,220,080 |
| % Share of Collections | 96% |

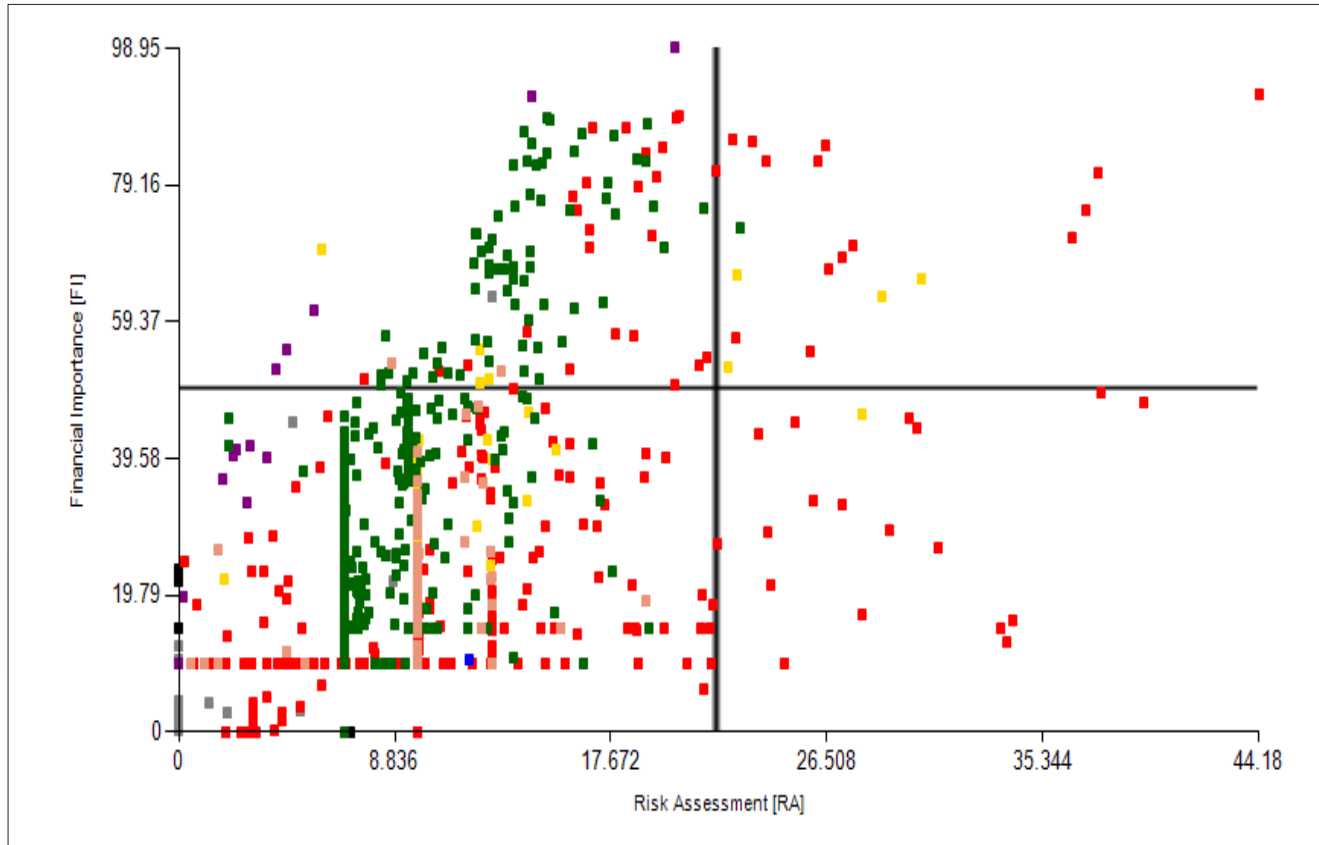
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|-------------------|
| Number of Taxpayers | 90 |
| Total Supplies | RF16,711,124,215 |
| Total Income | RF17,006,478,821 |
| Total Arrears | RF325,089,651 |
| Total Losses | (RF5,758,507,000) |
| Total Payments | RF577,701,733 |
| % Share of Collections | 3% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|-------------------|
| Number of Taxpayers | 6,292 |
| Total Supplies | RF5,978,691,399 |
| Total Income | RF15,446,824,068 |
| Total Arrears | RF228,342,143 |
| Total Losses | (RF1,289,306,000) |
| Total Payments | RF308,681,524 |
| % Share of Collections | 1% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-------------------|
| Number of Taxpayers | 103 |
| Total Supplies | RF995,865,609 |
| Total Income | RF2,037,304,856 |
| Total Arrears | RF88,521,514 |
| Total Losses | (RF1,191,425,000) |
| Total Payments | RF24,406,979 |
| % Share of Collections | 0% |

| Distribution of Profiles by Risk Category | | |
|---|------|-------|
| Risk Assessment Category | # | % |
| \Customs | 15 | 0.22 |
| \Tax\CIT | 3965 | 57.24 |
| \Tax\Filing | 2856 | 41.23 |
| \Tax\Payment | 34 | 0.49 |
| \Tax\PIT | 1 | 0.01 |
| \Tax\Revision | 51 | 0.74 |
| \Tax\VAT | 5 | 0.07 |

Figure 15: RDF results for Hotels, Bars and restaurants 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 | 107 |
| Total Supplies | RF18,381,231,810 |
| Total Income | RF19,240,594,756 |
| Total Arrears | RF6,581,245 |
| Total Losses | (RF107,576,000) |
| Total Payments | RF291,698,611 |
| % Share of Collections | 72% |

| Quadrant 1: High Risk Taxpayers | |
|--|-----------------|
| Number of Taxpayers | 19 |
| Total Supplies | RF2,161,289,500 |
| Total Income | RF2,334,559,493 |
| Total Arrears | RF15,904,873 |
| Total Losses | (RF274,576,000) |
| Total Payments | RF22,725,414 |
| % Share of Collections | 6% |

| Quadrant 4: Lower Risk Taxpayers | |
|---|-----------------|
| Number of Taxpayers | 13,848 |
| Total Supplies | RF608,438,878 |
| Total Income | RF7,031,456,227 |
| Total Arrears | RF25,932,650 |
| Total Losses | (RF421,752,000) |
| Total Payments | RF89,000,696 |
| % Share of Collections | 22% |

| Quadrant 3: Medium Risk Taxpayers | |
|--|---------------|
| Number of Taxpayers | 18 |
| Total Supplies | RF328,632,199 |
| Total Income | RF103,524,967 |
| Total Arrears | RF23,099,801 |
| Total Losses | (RF368,000) |
| Total Payments | RF3,662,764 |
| % Share of Collections | 1% |

| Distribution of Profiles by Risk Category | | |
|--|------|-------|
| Risk Assessment Category | # | % |
| \Customs | 30 | 0.21 |
| \Tax\Filing | 8567 | 61.31 |
| \Tax\MULTITAX | 38 | 0.27 |
| \Tax\Payment | 45 | 0.32 |
| \Tax\PIT | 5129 | 36.71 |
| \Tax\Revision | 163 | 1.17 |
| \Tax\VAT | 1 | 0.01 |

Compliance Strategy: Hotels, bars and restaurants Sector

The hotels, bars and restaurants sector represent a small percentage of the tax base. The sector contributes 0.9% of total CIT/PIT, 4.0% of total VAT and 1.0% of total PAYE (Calendar year 2023). The sector contributed 1% to the total GDP in the year 2023. However, it is ideal for early implementation of formal compliance strategies. All categories of compliance are a considerable risk – registration, filing, payment and reporting. The behavior 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.

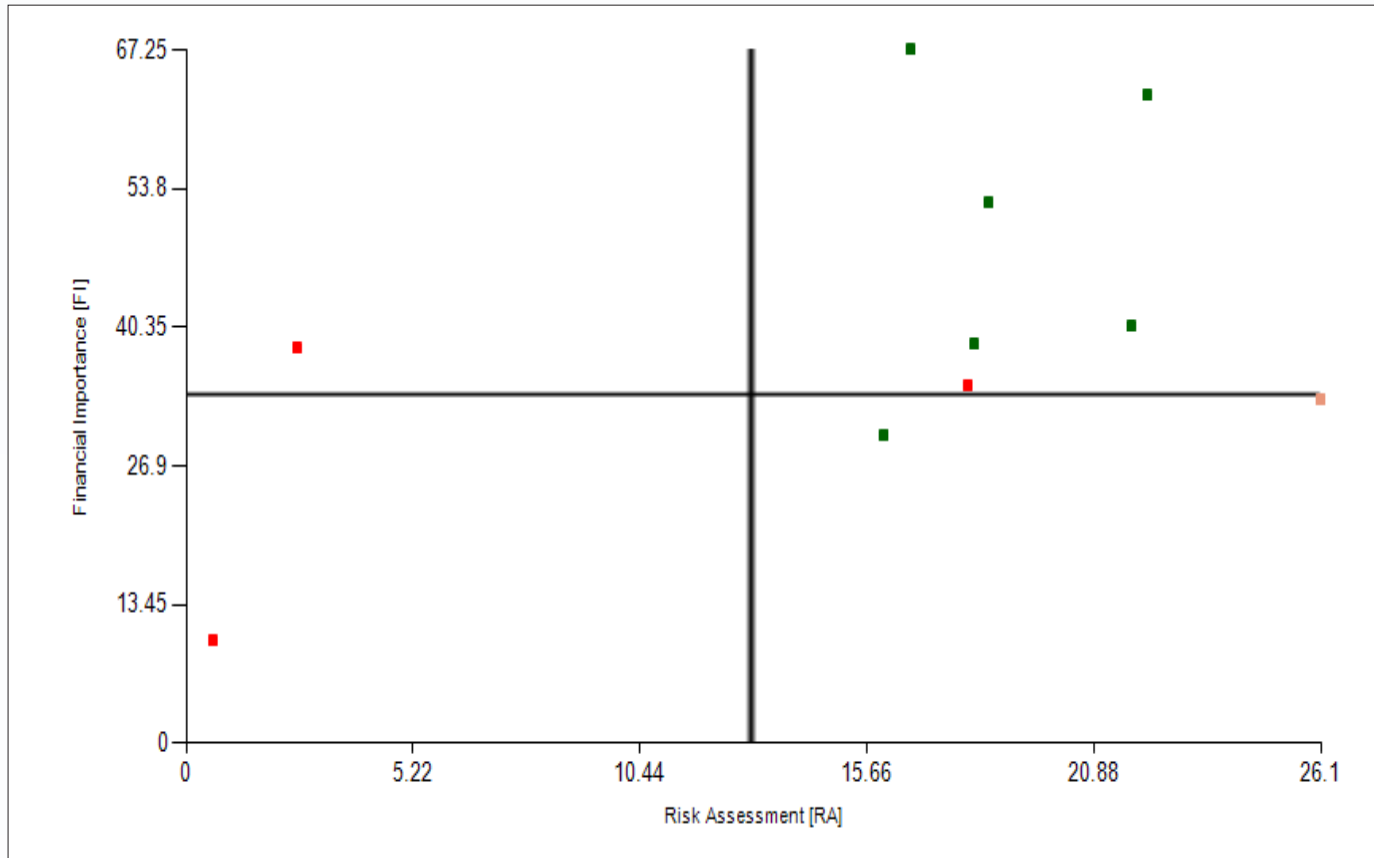
| Key Compliance Risks | Risk Treatments |
|---|---|
| <p>1. Registration risk: Medium</p> <ul style="list-style-type: none"> • Significant number of inaccurate registrations; • Restaurants not register all business activities; • Pervasive use of informal employment arrangements. <p>2. Filing risk: Medium</p> <ul style="list-style-type: none"> • Missing tax returns; • Late filing of tax returns. <p>3. Payment risk: High</p> <ul style="list-style-type: none"> • The majority of arrears is associated with small & micro enterprises. <p>4. Inaccurate and incomplete reporting risk: High</p> <ul style="list-style-type: none"> • Not withholding 15% on payments made to unregistered suppliers; • Understatement of sales; • Overstatement of expenses; • Benefit in kind not charged PAYE; • Wrong application of depreciation rates on assets; • Wrong amount of losses carried forward; • Expenses without supporting documents; • Declaration of non-deductible expenses: <ul style="list-style-type: none"> - Expensing penalties; - Expenses not related to the business; - Expenses for personal use; | <p>1. Education</p> <ul style="list-style-type: none"> • Develop literature and distribute education materials explaining tax requirements; • Conduct education seminars for hotels, bars and restaurants 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; • Monitoring the usage of EBM. <p>3. Enforcement</p> <ul style="list-style-type: none"> • Taxpayers' recruitment on central taxes; • Identify, monitor and follow up non-filers and non-payers; • Automated SMS to remind of filing and payment obligations; • Enforcement of tax arrears. |

- Overstatement of expenses;
- Taxable sales declared as exempted;
- Non declaration of PAYE of 15% for casual labourers;
- Overstatement of taxes paid in Customs;
- Inappropriate usage of EBM:
 - Non issuance of EBM invoices;
 - Understatement of EBM invoice.
- Not charging VAT reverse charge on locally available services.

8.1.4 Professional activities Sector

The Professional Activities Sector represents a small share of the tax base. The sector contributes 0.9% of total CIT/PIT, 2.4% of total VAT and 8.8% of total PAYE (Calendar year 2023). The sector contributed 2% to the total GDP in the year 2023.

Figure 16: RDF results for Professional Activities 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 | 1 |
| Total Supplies | RF6,294,936,156 |
| Total Income | RF0 |
| Total Arrears | RF0 |
| Total Losses | RF0 |
| Total Payments | RF1,112,459,924 |
| % Share of Collections | 24% |

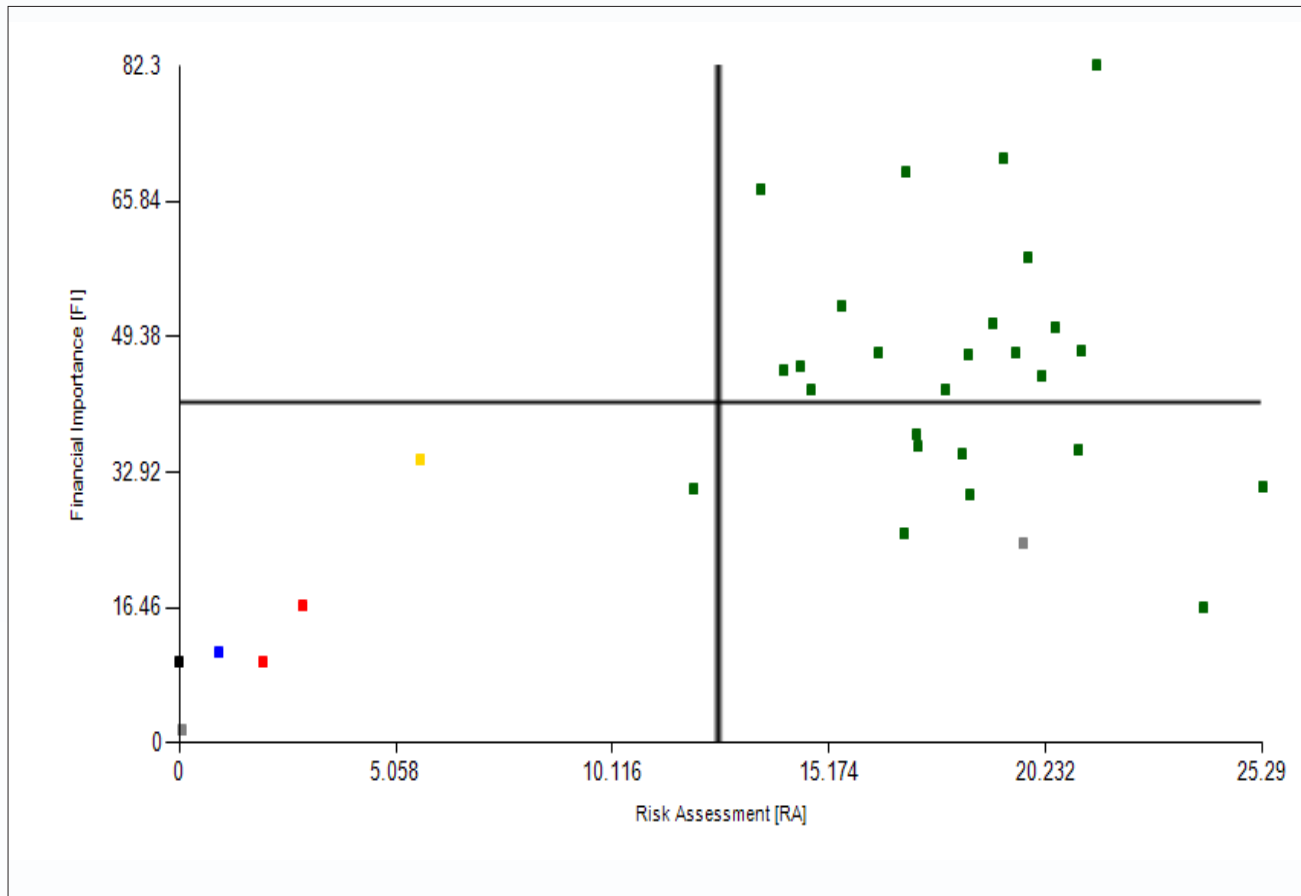
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|------------------|
| Number of Taxpayers | 6 |
| Total Supplies | RF30,491,496,014 |
| Total Income | RF32,007,299,920 |
| Total Arrears | RF0 |
| Total Losses | RF0 |
| Total Payments | RF2,986,405,248 |
| % Share of Collections | 64% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|-----|
| Number of Taxpayers | 1 |
| 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 | 2 |
| Total Supplies | RF3,173,989,649 |
| Total Income | RF3,077,844,785 |
| Total Arrears | RF0 |
| Total Losses | RF0 |
| Total Payments | RF555,561,165 |
| % Share of Collections | 12% |

| Distribution of Profiles by Risk Category | | |
|---|---|----|
| Risk Assessment Category | # | % |
| \Tax\CIT | 6 | 60 |
| \Tax\Filing | 3 | 30 |
| \Tax\Revision | 1 | 10 |

Figure 17: RDF results for Professional Activities 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 | |
| Total Supplies | |
| Total Income | |
| Total Arrears | |
| Total Losses | |
| Total Payments | |
| % Share of Collections | |

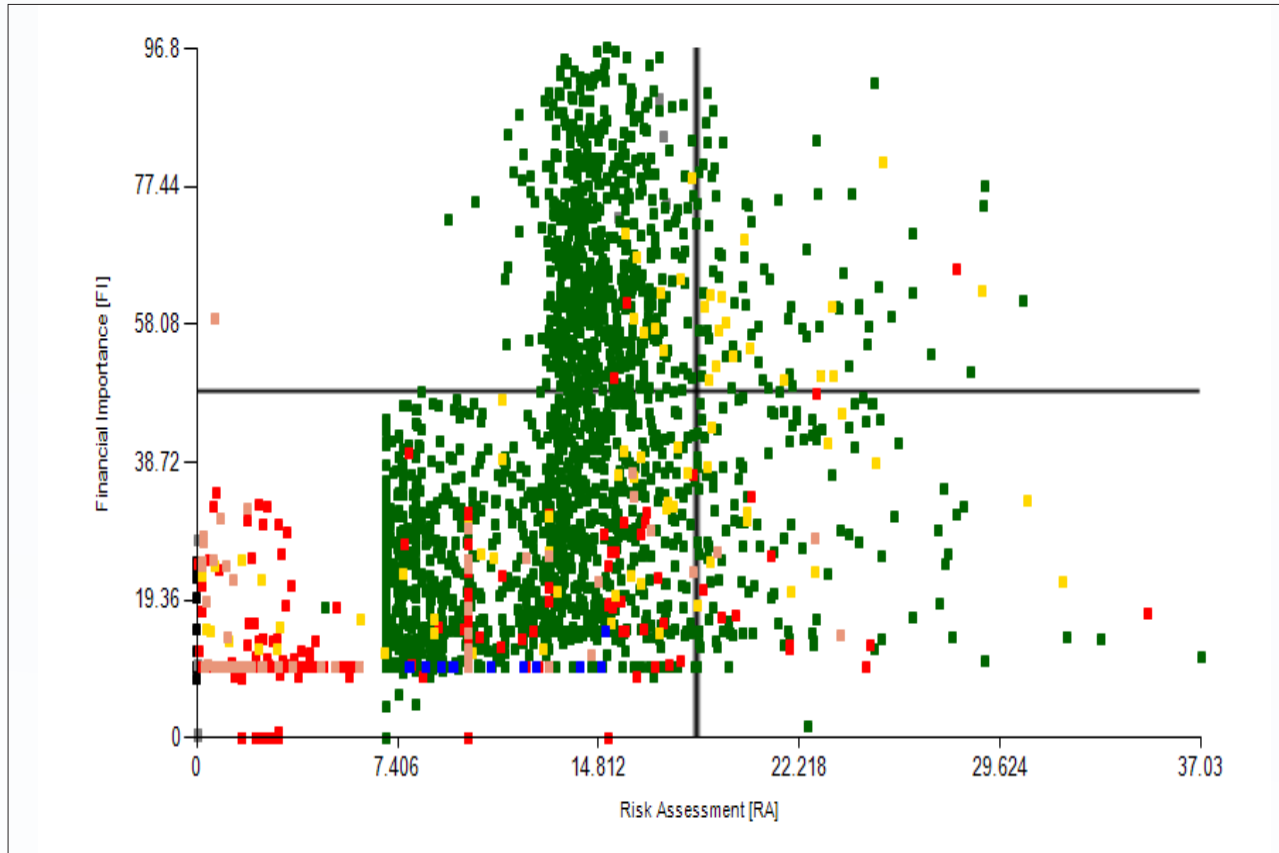
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|-------------------|
| Number of Taxpayers | 17 |
| Total Supplies | RF22,932,805,727 |
| Total Income | RF22,740,676,476 |
| Total Arrears | RF0 |
| Total Losses | (RF1,359,058,000) |
| Total Payments | RF3,033,452,169 |
| % Share of Collections | 96% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|-----------------|
| Number of Taxpayers | 7 |
| Total Supplies | RF1,665,698,291 |
| Total Income | RF200,435,933 |
| Total Arrears | RF0 |
| Total Losses | RF0 |
| Total Payments | RF33,229,849 |
| % Share of Collections | 1% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-----------------|
| Number of Taxpayers | 9 |
| Total Supplies | RF2,925,733,945 |
| Total Income | RF2,931,349,049 |
| Total Arrears | RF0 |
| Total Losses | (RF325,281,000) |
| Total Payments | RF79,281,064 |
| % Share of Collections | 3% |

| Distribution of Profiles by Risk Category | | |
|---|----|-------|
| Risk Assessment Category | # | % |
| \Customs | 2 | 6.25 |
| \Tax\CIT | 26 | 81.25 |
| \Tax\Filing | 2 | 6.25 |
| \Tax\Payment | 1 | 3.12 |
| \Tax\VAT | 1 | 3.12 |

Figure 18: RDF results for Professional Activities 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 | 610 |
| Total Supplies | RF139,036,367,438 |
| Total Income | RF148,240,802,319 |
| Total Arrears | RF516,610,240 |
| Total Losses | (RF9,536,855,000) |
| Total Payments | RF17,153,156,941 |
| % Share of Collections | 80% |

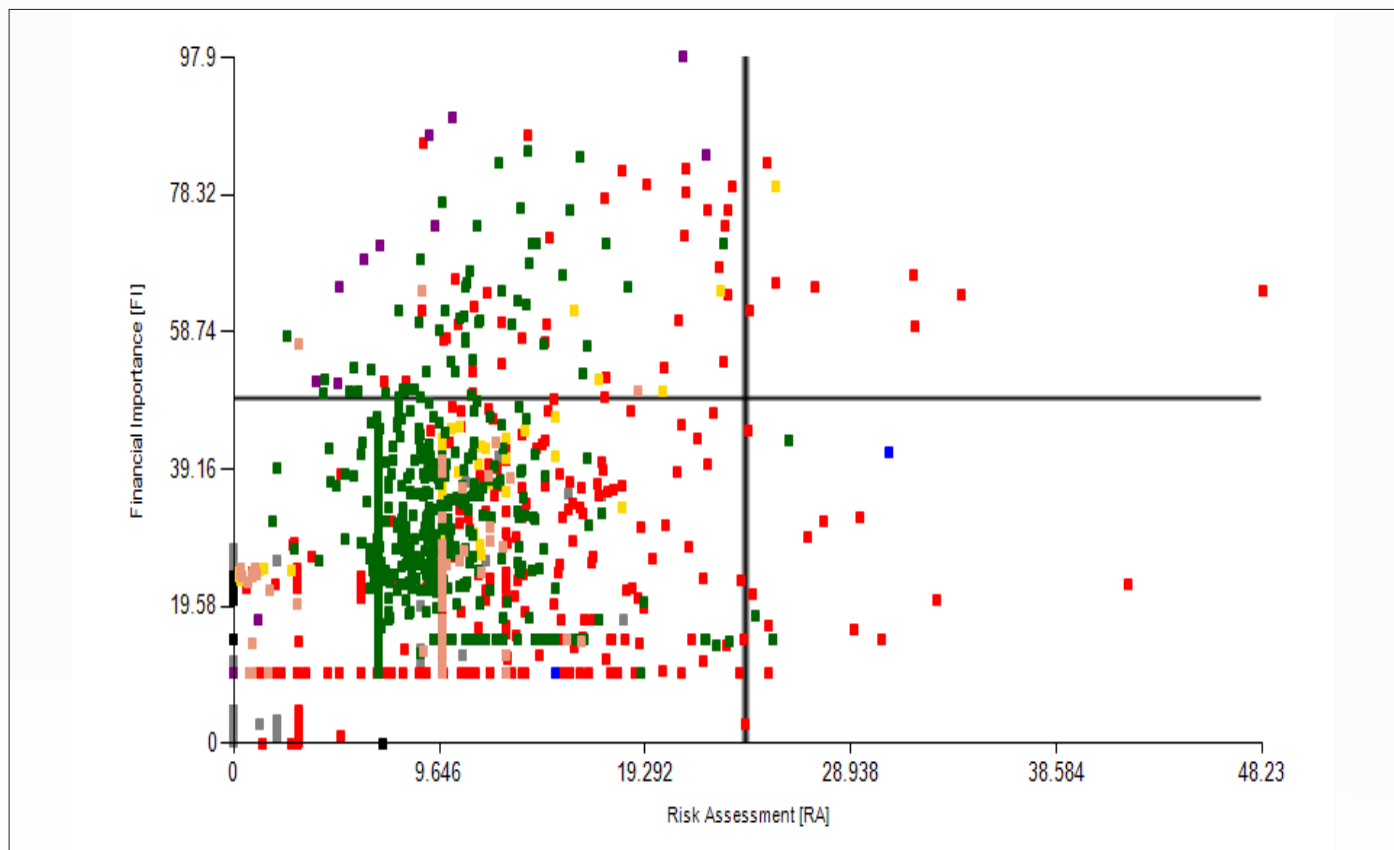
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------|-------------------|
| Number of Taxpayers | 87 |
| Total Supplies | RF29,988,390,686 |
| Total Income | RF28,727,614,318 |
| Total Arrears | RF824,801,956 |
| Total Losses | (RF7,813,856,000) |
| Total Payments | RF691,993,582 |
| % Share of Collections | 3% |

| Quadrant 4: Lower Risk Taxpayers | |
|----------------------------------|-------------------|
| Number of Taxpayers | 6,337 |
| Total Supplies | RF7,986,581,104 |
| Total Income | RF13,479,909,794 |
| Total Arrears | RF518,135,945 |
| Total Losses | (RF1,395,301,000) |
| Total Payments | RF3,302,366,992 |
| % Share of Collections | 15% |

| Quadrant 3: Medium Risk Taxpayers | |
|-----------------------------------|-------------------|
| Number of Taxpayers | 136 |
| Total Supplies | RF1,837,125,860 |
| Total Income | RF1,880,720,338 |
| Total Arrears | RF253,967,378 |
| Total Losses | (RF1,272,560,000) |
| Total Payments | RF363,322,234 |
| % Share of Collections | 2% |

| Distribution of Profiles by Risk Category | | |
|---|------|-------|
| Risk Assessment Category | # | % |
| \Customs | 10 | 0.14 |
| \Tax\CIT | 4323 | 61.7 |
| \Tax\Filing | 2492 | 35.57 |
| \Tax\Payment | 79 | 1.13 |
| \Tax\Revision | 89 | 1.27 |
| \Tax\VAT | 13 | 0.19 |

Figure 19: RDF results for Professional Activities 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 | 108 |
| Total Supplies | RF5,584,781,719 |
| Total Income | RF6,305,866,743 |
| Total Arrears | RF30,607,793 |
| Total Losses | (RF199,779,000) |
| Total Payments | RF532,671,487 |
| % Share of Collections | 52% |

| Quadrant 1: High Risk Taxpayers | |
|--|---------------|
| Number of Taxpayers | 9 |
| Total Supplies | RF583,487,415 |
| Total Income | RF435,181,427 |
| Total Arrears | RF66,497,987 |
| Total Losses | RF0 |
| Total Payments | RF46,549,929 |
| % Share of Collections | 5% |

| Quadrant 4: Lower Risk Taxpayers | |
|---|-----------------|
| Number of Taxpayers | 3,039 |
| Total Supplies | RF506,121,560 |
| Total Income | RF5,555,284,058 |
| Total Arrears | RF62,552,419 |
| Total Losses | (RF85,526,000) |
| Total Payments | RF441,493,648 |
| % Share of Collections | 43% |

| Quadrant 3: Medium Risk Taxpayers | |
|--|----------------|
| Number of Taxpayers | 15 |
| Total Supplies | RF162,983,846 |
| Total Income | RF51,141,061 |
| Total Arrears | RF10,706,959 |
| Total Losses | (RF11,760,000) |
| Total Payments | RF5,907,617 |
| % Share of Collections | 1% |

| Distribution of Profiles by Risk Category | | |
|--|------|-------|
| Risk Assessment Category | # | % |
| \Customs | 56 | 1.83 |
| \Tax\Filing | 1271 | 41.51 |
| \Tax\MULTITAX | 36 | 1.18 |
| \Tax\Payment | 61 | 1.99 |
| \Tax\PIT | 1566 | 51.14 |
| \Tax\Revision | 70 | 2.29 |
| \Tax\VAT | 2 | 0.07 |

Compliance Strategy: Professional activities sector

Professional activities represent a small percentage of the tax base. The sector contributes 0.9% of total CIT/PIT, 2.4% of total VAT and 8.8% of total PAYE (Calendar year 2023). The sector contributed 2% to the total GDP in the year 2023. However, it is ideal for early implementation of formal compliance strategies. The key considerable compliance risks are – filing, payment and reporting. They will be treated through education seminars, data analysis, advisory visits, tax audits and enforcement of tax arrears.

| 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 which they are eligible. <p>2. Filing risk: High</p> <ul style="list-style-type: none"> • Missing tax returns; • Late filing of tax returns. <p>3. Payment risk: High</p> <ul style="list-style-type: none"> • The majority of arrears is associated with small & micro enterprises. <p>4. Inaccurate and incomplete reporting risk: High</p> <ul style="list-style-type: none"> • Understatement of sales; • Expenses without supporting documents; • Not withholding 15% on payments made to unregistered suppliers; • Expenses recorded twice; • Expenses declared not genuine; • Not charging VAT reverse charge on imported services; • Expensing VAT input; • Overstatement of depreciation; | <p>1. Education</p> <ul style="list-style-type: none"> • Develop literature and distribute education materials explaining tax requirements; • Conduct education seminars for Professionals 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. <p>3. Enforcement</p> <ul style="list-style-type: none"> • Identify, monitor and follow up non-filers and non-payers; • Automated SMS to remind of filing and payment obligations; • Enforcement of tax arrears. |

- Wrong amount of losses carried forward;
- Benefit in kind not charged PAYE;
- Inappropriate usage of EBM:
 - Non issuance of EBM invoices;
 - Understatement of EBM invoice;
 - Cancellation of EBM sales without supporting documents.

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 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% | |

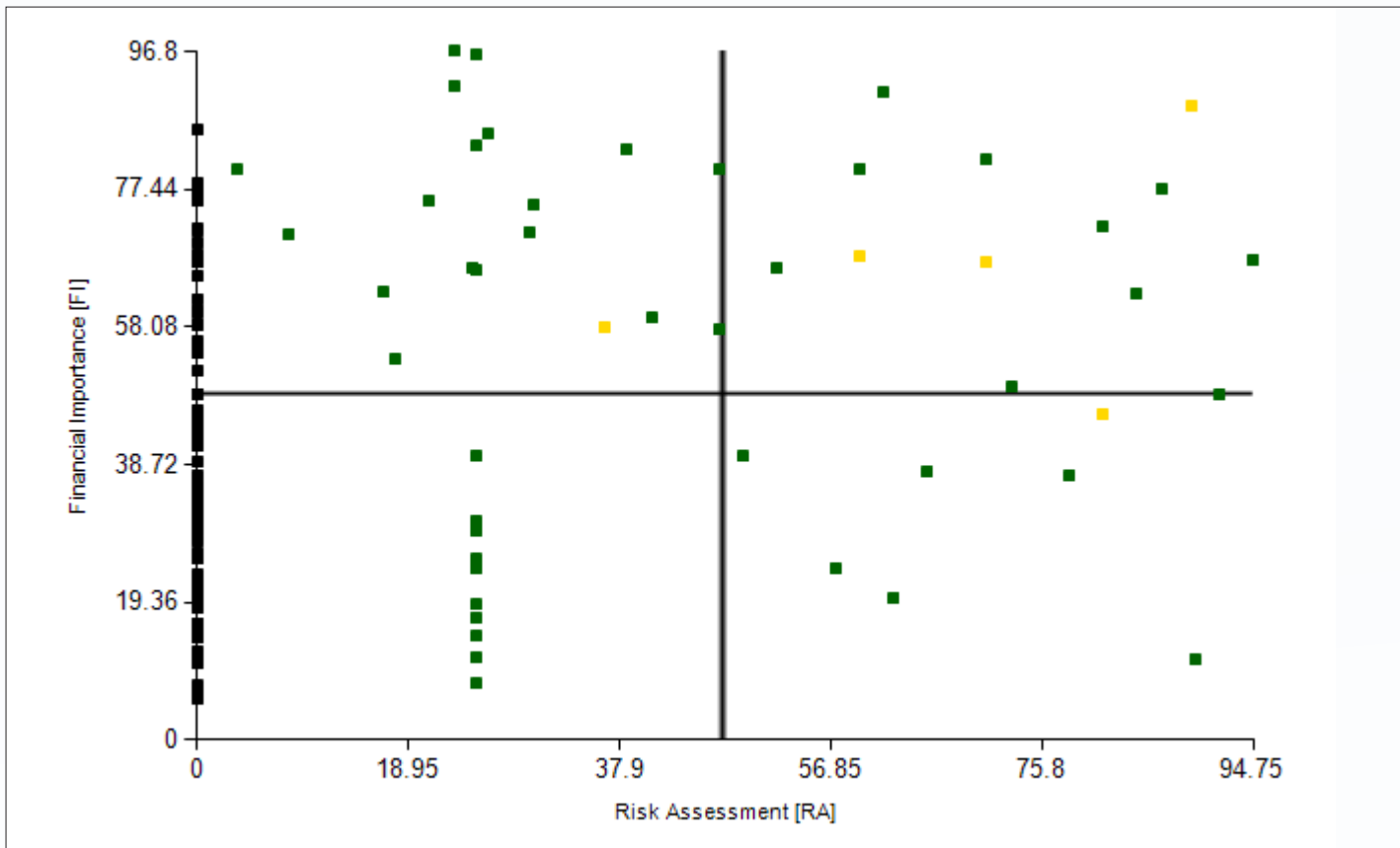
b) Risk metrics for Customs Brokers (Clearing Agencies)

| 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% | |

Compliance actions will be categorized into: education, support, simplification or process improvement, detection and enforcement. This part shows the Risk Differentiation Frameworks (RDFs) and compliance actions for Customs services.

8.2.1 Importers who dealt with high risk commodities

Figure 20: 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 | Grey |
| \Customs\Dec | Green |
| \Customs\Tax | Yellow |

| Quadrant 2: Key Taxpayers | |
|---------------------------------------|-----------------|
| Number of Taxpayers | 43 |
| Total CIF | RF5,043,633,053 |
| Total TAXPAID | RF3,843,955,914 |
| Total Number of Declarations | 207 |
| Total Number of Modified declarations | 41 |
| Total Additional amount | 62761422 |
| Total Initial amount | 3781522385 |

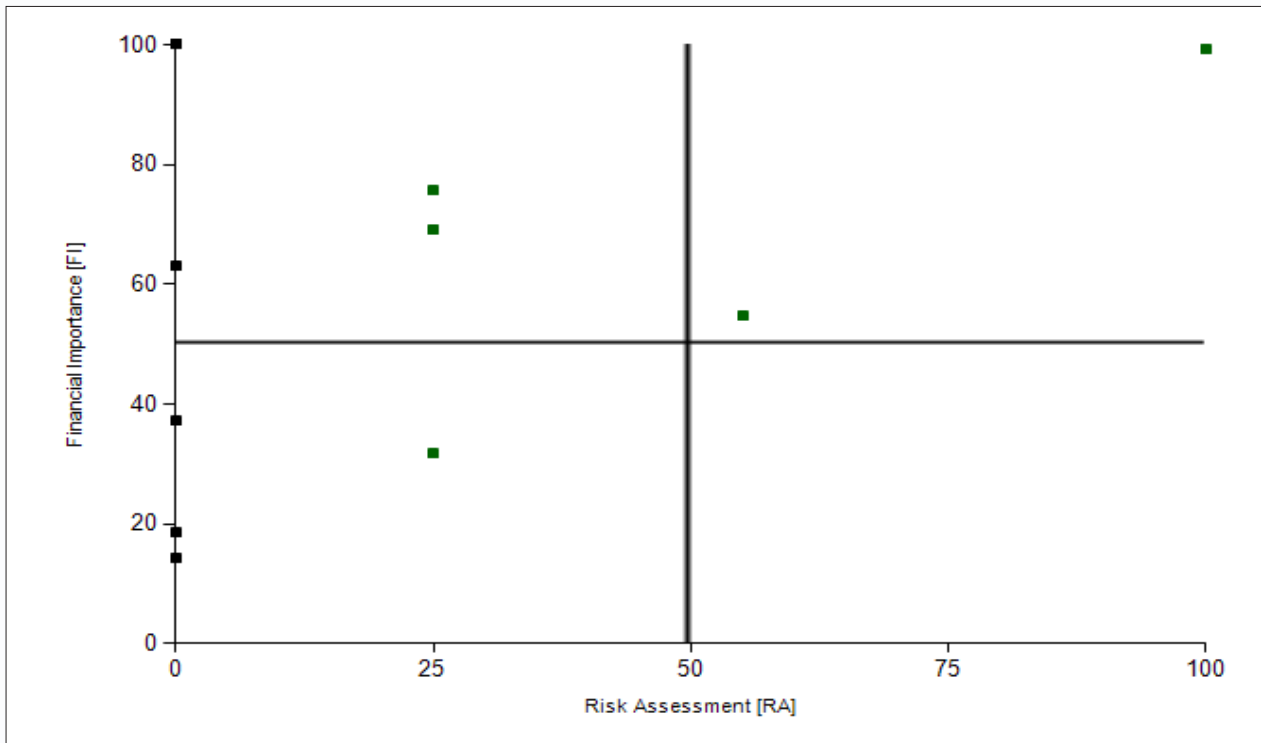
| Quadrant 1: High Risk Taxpayers | |
|---------------------------------------|---------------|
| Number of Taxpayers | 13 |
| Total CIF | RF451,728,460 |
| Total TAXPAID | RF434,159,406 |
| Total Number of Declarations | 40 |
| Total Number of Modified declarations | 28 |
| Total Additional amount | 109514359 |
| Total Initial amount | 324645047 |

| Quadrant 4: Lower Risk Taxpayers | |
|---------------------------------------|--------------|
| Number of Taxpayers | 57 |
| Total CIF | RF46,717,358 |
| Total Tax paid | RF34,261,956 |
| Total Number of Declaration | 77 |
| Total Number of Modified declarations | 11 |
| Total Additional amount | 174881 |
| Total Initial amount | 34104649 |

| Quadrant 3: Medium Risk Taxpayers | |
|---------------------------------------|-------------|
| Number of Traders | 7 |
| Total CIF | RF1,842,903 |
| Total Tax paid | RF2,012,335 |
| Total Number of Declaration | 10 |
| Total Number of Modified declarations | 9 |
| Total Additional amount | 1243542 |
| Total Initial amount | 768793 |

| Distribution of Profiles by Risk Category | | |
|---|----|----|
| Risk Assessment Category | # | % |
| \Customs\Dec | 45 | 90 |
| \Customs\Tax | 5 | 10 |

Figure 21: 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 | 5 |
| Total CIF | RF50,388,516 |
| Total TAXPAID | RF48,312,761 |
| Total Number of Declaration | 12 |
| Total Number of Modified declarations | 2 |
| Total Additional amount | 448692 |
| Total Initial amount | 47877759 |

| Quadrant 1: High Risk Taxpayers | |
|---------------------------------------|-------------|
| Number of Taxpayers | 2 |
| Total CIF | RF1,395,623 |
| Total TAXPAID | RF1,524,929 |
| Total Number of Declaration | 4 |
| Total Number of Modified declarations | 4 |
| Total Additional amount | 1154448 |
| Total Initial amount | 370481 |

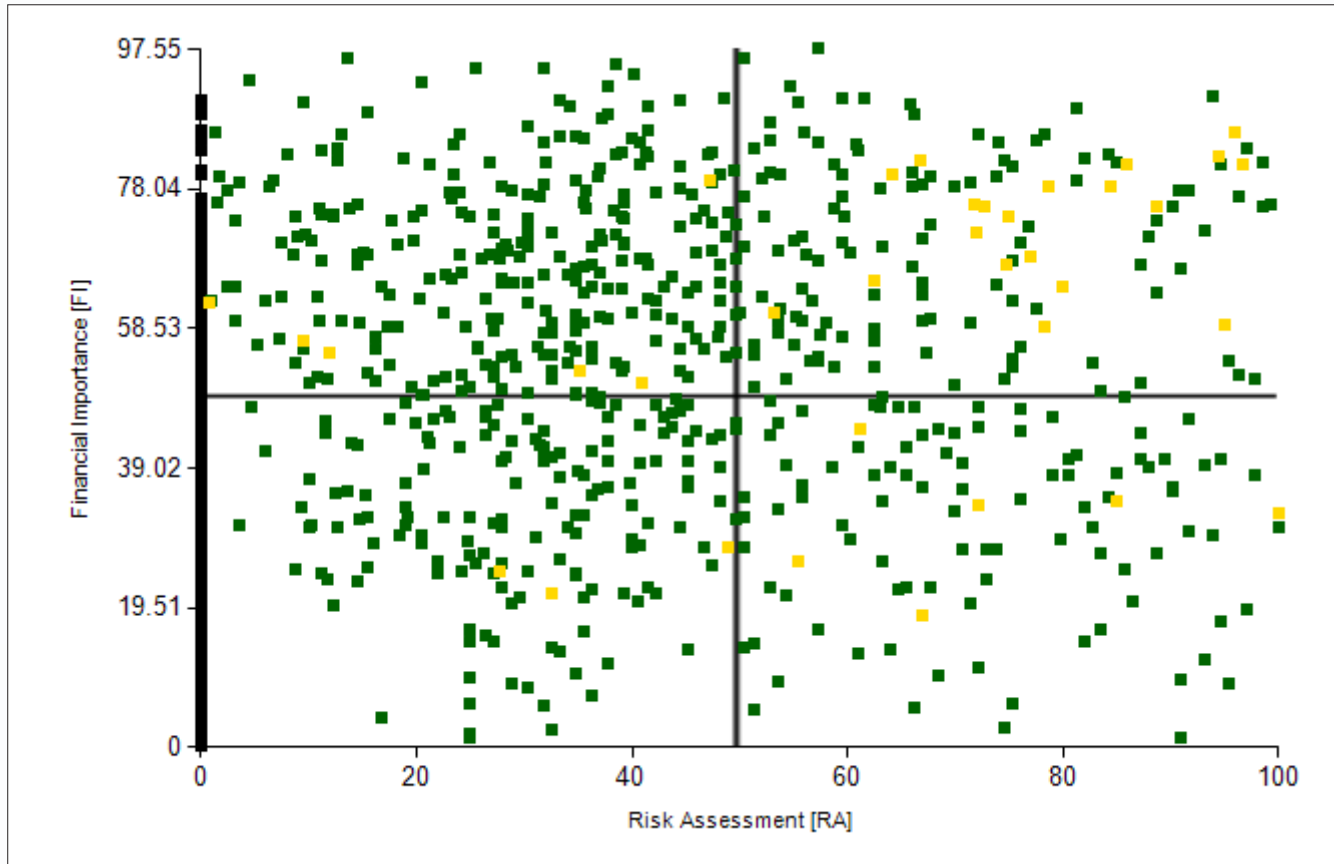
| Quadrant 4: Lower Risk Taxpayers | |
|---------------------------------------|----------|
| Number of Taxpayers | 4 |
| Total CIF | RF75,404 |
| Total TAXPAID | RF82,665 |
| Total Number of Declaration | 4 |
| Total Number of Modified declarations | 1 |
| Total Additional amount | 0 |
| Total Initial amount | 82936 |

| Quadrant 3: Medium Risk Taxpayers | |
|---------------------------------------|--|
| Number of Traders | |
| Total CIF | |
| Total TAXPAID | |
| Total Number of Declaration | |
| Total Number of Modified declarations | |
| Total Additional amount | |
| Total Initial amount | |

| Distribution of Profiles by Risk Category | | |
|---|---|-----|
| Risk Assessment Category | # | % |
| \Customs\Dec | 5 | 100 |

8.2.2 Importers importing commodities from high risk origin (Countries)

Figure 22: 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 | 381 |
| Total CIF | RF209,202,524,054 |
| Total TAXPAID | RF61,793,002,016 |
| Total Number of Declaration | 11111 |
| Total Number of Modified declaration | 2493 |
| Total Additional amount | 1195744596 |
| Total Initial amount | 60597289895 |

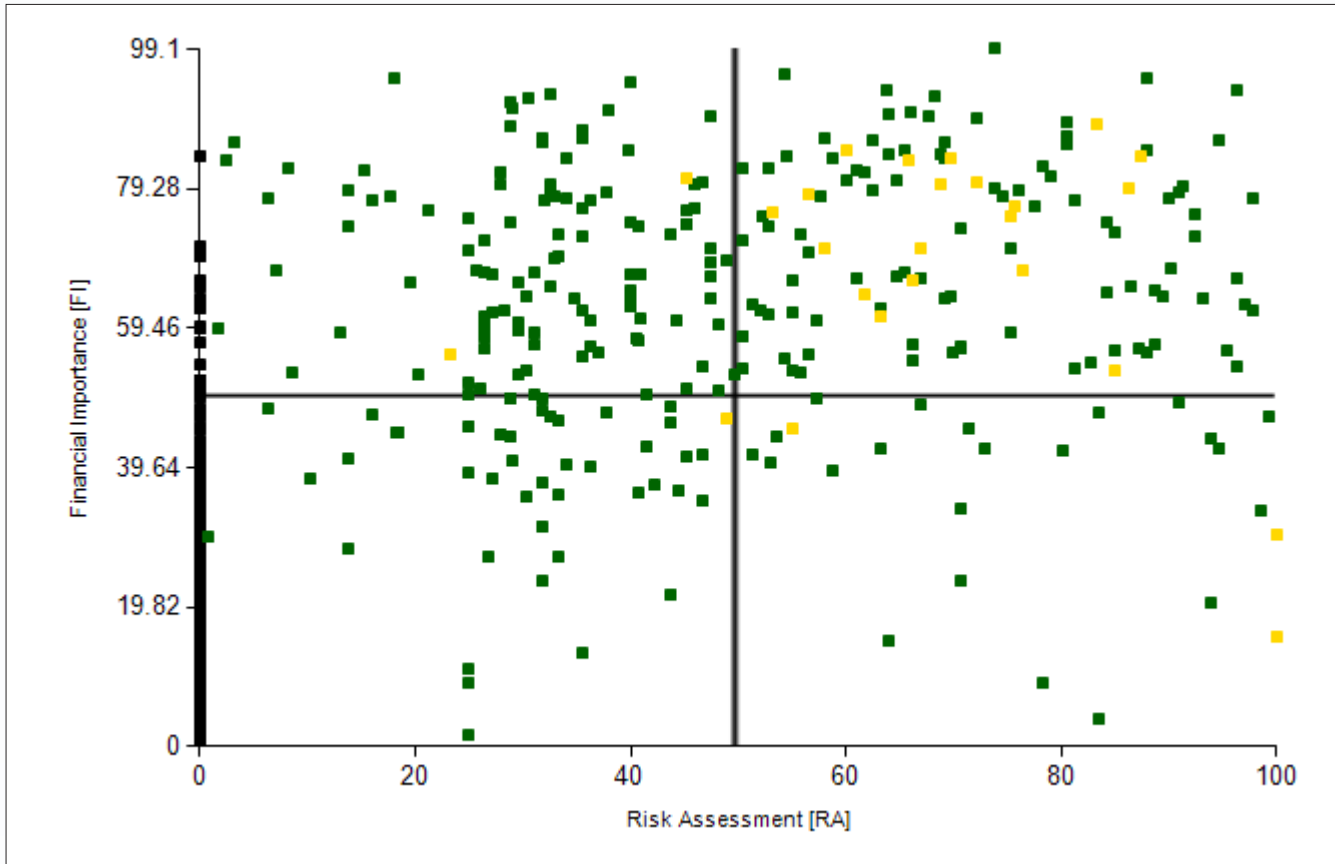
| Quadrant 1: High Risk Taxpayers | |
|--------------------------------------|------------------|
| Number of Taxpayers | 143 |
| Total CIF | RF15,824,345,051 |
| Total TAXPAID | RF5,885,495,148 |
| Total Number of Declaration | 2310 |
| Total Number of Modified declaration | 1830 |
| Total Additional amount | 1583317247 |
| Total Initial amount | 4302217387 |

| Quadrant 4: Lower Risk Taxpayers | |
|--------------------------------------|------------------|
| Number of Taxpayers | 654 |
| Total CIF | RF10,000,676,254 |
| Total TAXPAID | RF528,070,222 |
| Total Number of Declaration | 2293 |
| Total Number of Modified declaration | 511 |
| Total Additional amount | 48444997 |
| Total Initial amount | 479632102 |

| Quadrant 3: Medium Risk Taxpayers | |
|--------------------------------------|---------------|
| Number of Traders | 102 |
| Total CIF | RF259,246,609 |
| Total TAXPAID | RF109,796,183 |
| Total Number of Declaration | 307 |
| Total Number of Modified declaration | 291 |
| Total Additional amount | 69405742 |
| Total Initial amount | 40390441 |

| Distribution of Profiles by Risk Category | | |
|---|------|-------|
| Risk Assessment Category | # | % |
| \Customs\Dec | 1298 | 94.88 |
| \Customs\Tax | 70 | 5.12 |

Figure 23: 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

| Legend | |
|--------------|--|
| \Customs | |
| \Customs\Dec | |
| \Customs\Tax | |

| Quadrant 2: Key Taxpayers | |
|--------------------------------------|-----------------|
| Number of Taxpayers | 133 |
| Total CIF | RF9,935,744,105 |
| Total TAXPAID | RF3,237,628,694 |
| Total Number of Declaration | 994 |
| Total Number of Modified declaration | 562 |
| Total Additional amount | 176083474 |
| Total Initial amount | 3061547969 |

| Quadrant 1: High Risk Taxpayers | |
|--------------------------------------|-----------------|
| Number of Taxpayers | 116 |
| Total CIF | RF2,209,304,337 |
| Total TAXPAID | RF1,052,638,696 |
| Total Number of Declaration | 842 |
| Total Number of Modified declaration | 759 |
| Total Additional amount | 713684949 |
| Total Initial amount | 338953747 |

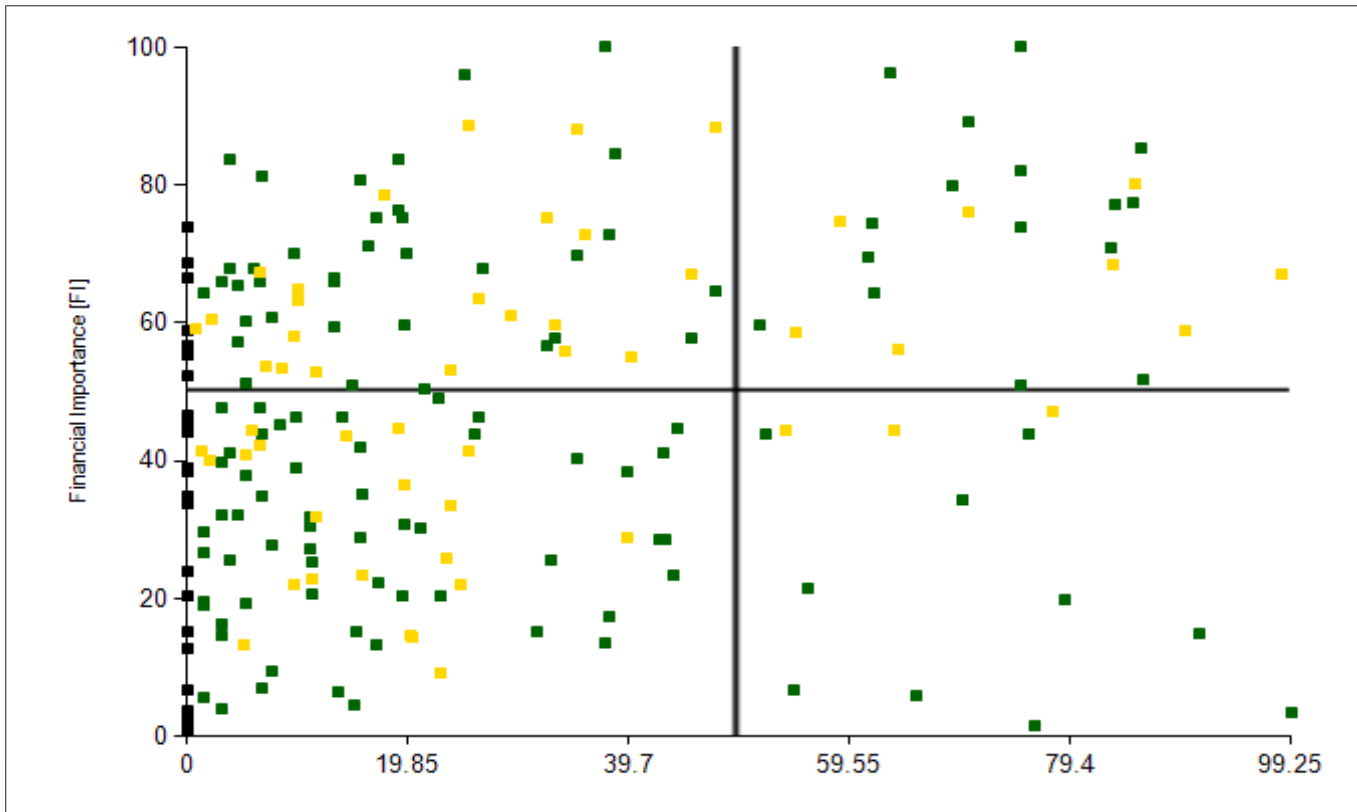
| Quadrant 4: Lower Risk Taxpayers | |
|--------------------------------------|---------------|
| Number of Taxpayers | 252 |
| Total CIF | RF132,886,283 |
| Total TAXPAID | RF52,812,828 |
| Total Number of Declaration | 531 |
| Total Number of Modified declaration | 90 |
| Total Additional amount | 4592405 |
| Total Initial amount | 48240465 |

| Quadrant 3: Medium Risk Taxpayers | |
|--------------------------------------|--------------|
| Number of Traders | 24 |
| Total CIF | RF21,340,960 |
| Total TAXPAID | RF9,194,653 |
| Total Number of Declaration | 60 |
| Total Number of Modified declaration | 57 |
| Total Additional amount | 6578463 |
| Total Initial amount | 2616190 |

| Distribution of Profiles by Risk Category | | |
|---|-----|-------|
| Risk Assessment Category | # | % |
| \Customs\Dec | 270 | 91.53 |
| \Customs\Tax | 25 | 8.47 |

8.2.3 Customs Brokers (Clearing Agencies)

Figure 24: 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 | Grey |
| \Customs\Dec | Green |
| \Customs\Tax | Yellow |

| Quadrant 2: Key Taxpayers | |
|--------------------------------------|---------------------|
| Number of Brokers | 65 |
| Total CIF | RF1,745,353,088,151 |
| Total Number of Declaration | 86068 |
| Total Number of Modified Declaration | 6494 |

| Quadrant 1: High Risk Taxpayers | |
|--------------------------------------|-------------------|
| Number of Brokers | 24 |
| Total CIF | RF629,355,863,896 |
| Total Number of Declaration | 18993 |
| Total Number of Modified Declaration | 6510 |

| Quadrant 4: Lower Risk Taxpayers | |
|---------------------------------------|-------------------|
| Number of Brokers | 96 |
| Total CIF | RF729,605,671,200 |
| Total Number of Declaration | 28250 |
| Total Number of Modified declarations | 1870 |

| Quadrant 3: Medium Risk Taxpayers | |
|---------------------------------------|------------------|
| Number of Brokers | 13 |
| Total CIF | RF23,241,019,927 |
| Total Number of Declaration | 1699 |
| Total Number of Modified declarations | 688 |

| Distribution of Profiles by Risk Category | | |
|---|-----|-------|
| Risk Assessment Category | # | % |
| \Customs\Dec | 119 | 68.79 |
| \Customs\Tax | 54 | 31.21 |

Compliance strategy: Importers and Customs Brokers

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 non-compliant clearing agents, practice notes, tax audits and enforcement of tax arrears.

Key Compliance Risks

1. General Risk:

High

- Exceeding quantity declared;
- False declaration of origin;
- Import through non authorised route;
- Misclassification of goods;
- Non reported goods;
- Prohibited – restricted goods;
- Under valuation of goods;
- Upload wrong documents to the declaration;
- Value declared different from attached invoice;
- Weight different from the attached documents;
- Wrong commercial description;
- Wrong Customs Procedure Code(CPC);
- Wrong Standard Commodity Description.

2. Classification Risk:

High

- Intentional misclassification on advice of clearing agents;
- Significant lack of classification knowledge in the business community;

Risk Treatments

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;
- Produce practice notes on customs taxes laws.

2. Support

- Advance rulings, making people more aware of the process.

3. Simplification or process improvement

- Create tariff specification codes to update the customs automated valuation database;
- Conduct a meeting with compliant clearing Agents to discuss on strategies to improve compliance of non-compliant clearing agencies.

4. Detection

- Carryout tax audits to high risky importers;
- Monitor the performance of Customs Agents.

3. Valuation Risk:

High

- Pervasive, intentional use of false supporting documents;
- Incomplete and inaccurate valuation data.

5. Enforcement

- Writing warning letters to non-compliant clearing agents;
- Carry out enforcement operations of customs tax arrears;
- Publish lane statistics of clearance time (time release) for all clearing agencies on quarterly basis.

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.



RWANDA REVENUE AUTHORITY
TAXES FOR GROWTH AND DEVELOPMENT

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