



TAX COMPLIANCE FOR WHOLESALE AND RETAIL TRADE SECTOR

The wholesale and retail trade sector represent a significant share of the tax base. It is a high-risk sector for all core compliance categories of registration, filling, payment and reporting.

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REGISTRATION RISK

Any person who sets up a business or other activities that may be taxable is obliged to register with Rwanda Development Board (RDB) within a period of seven (7) days from the beginning of the business or activity or the establishment of the company.

From the analysis, it was found out that;

- ❏ Some Taxpayers are registered in some tax heads but not registered in other taxes which they are eligible

During business registration the owner must:

- ❏ Specify his/her business activity
- ❏ Specify address of the business (district, sector, cell, village, street number etc.)

- ❏ Indicate types of taxes to register to
- ❏ Specify whether he/she is doing business as individual or a company
- ❏ Indicate identification of the business owner/shareholders (names, ID/passport, telephone numbers, email addresses)

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FILING RISK

From the analysis, it was found out that the following are the most practices:

- ❏ Late filing of tax returns
- ❏ Missing tax returns

To avoid this, Taxpayers should regularly file their tax returns on time

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PAYMENT RISK

From the analysis it was found out that there are huge tax arrears associated with the sector.

In order to avoid this, Taxpayers should:

- ❏ Make all payments on time
- ❏ Make a follow up of their business transactions to record all payments



RWANDA REVENUE AUTHORITY
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UNDERREPORTING RISK

From RRA analysis, it was found out that the following are the common practices identified:

- ⚠ 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
 - Expensing Personal insurance
 - Expensing penalties
 - Expenses for personal use
- Expensing interests on delayed payments to suppliers
- Security deposits for rent expensed
- ⚠ 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 sold
- ⚠ Not charging VAT reverse charge on services available locally
- ⚠ Input VAT claimed on items not related to the business
- ⚠ Understating cost of closing stock
- ⚠ Taxable sales declared as exempted
- ⚠ Wrong amount of losses carried forward

WHAT MUST BE REPORTED?

- ⚠ All incomes/revenues/sales
- ⚠ Employees' remuneration and corresponding tax (PAYE)
- ⚠ Real expenses incurred on goods and services

CONCLUSION

Taxpayers in this sector are requested to comply with tax laws and regulations to address issues mentioned above. Taxpayers are requested to acquire EBM and always issue EBM invoices with the correct amount, description of the product and the buyer's TIN. Taxpayers are requested to trade with suppliers with EBM to be able to declare expenses based on the fact that expenses without EBM invoices will not be deducted. RRA is extremely willing and prepared to assist taxpayers comply with tax laws and regulations.