

Compliance

**RWANDA REVENUE AUTHORITY  
COMPLIANCE IMPROVEMENT PLAN  
2016 - 2017**



June, 2016





## FOREWORD

### Citizens of Rwanda,

We are proud to introduce the inaugural RRA Compliance Improvement Plan, a high-level overview of our plans for the next financial year to further improve compliance with tax legislation.

We plan to do this by focusing particular attention on areas which our research and risk analysis model and tools have shown pose a significantly higher risk of non-compliance. By focusing on these issues we believe we can make a significant impact on increasing the fairness of the tax system.

RRA is currently guided in its efforts by a Strategic Plan that covers the period of 2015 - 2018. That Plan also provides for our commitment to developing a separate Compliance Strategy through which we can use our resources more effectively in ensuring voluntary compliance of our population of taxpayers.

I would like to thank the IMF for their technical assistance in the development of this strategy, particularly Mr. Joshua Aslerdt, who provided assistance regarding developing a Compliance Risk Analysis Model and Tool, based on the compliance strategy best principles published by the OECD for use by both developing and modern tax administrations.

Our tax system is based on the principles of self-assessment and voluntary compliance. Voluntary compliance relies on taxpayers' honesty in determining their tax obligations and accurate reporting.

We believe that if you are making your fair contribution and doing the right thing, you deserve to know that everyone else is doing so too! As we make it easier for all taxpayers to meet their obligations quickly, easily and cost-efficiently, we must make equally sure that those who don't pay their fair share and don't abide by the rules are brought into the fold.

We believe that the most effective way to gain and maintain voluntary compliance is through building a relationship of mutual trust and respect between the tax administration and the taxpayers of Rwanda. That is why our Strategy includes an emphasis on improving our service delivery to the public so that we can meet your expectations and provide the service you deserve.

I hope that you will join RRA in ensuring that our tax system works fairly and that everyone pays their fair share. In this way, the Government of Rwanda can trust to have sufficient revenues to enabling it to meet citizens' expectation in terms of public goods and services supply, hence leading to self reliance.

Sincerely,



**Richard TUSABE**  
**Commissioner General**

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## LIST OF ABBREVIATIONS

RRA: Rwanda Revenue Authority  
TADAT: Tax Administration Diagnostic Assessment Tool  
TA: Technical Assistance  
RDF: Risk Differentiation Framework  
PSF: Private Sector Federation  
IMF: International Monetary Fund  
GDP: Gross Domestic Product  
ISIC: International Standard Industrial Classification  
ATAR: Association of Tax Advisors in Rwanda  
ICPAR: Institute of Certified Public Accounts in Rwanda  
TPS: Taxpayer Service  
CRMMD: Corporate Risk Management and Modernization Department  
CRMC: Corporate Risk Management Committee  
DTD: Domestic Taxes Department

# 1. GENERAL INTRODUCTION

## 1.1 INTRODUCTION

The mission of Rwanda Revenue Authority (RRA) is to “Mobilize revenue for economic development through efficient and equitable services that promote business growth.” RRA is a quasi-autonomous body charged with the task of assessing, collecting, and accounting for tax, customs and other specified revenues. This is achieved through enhancing taxpayer’s compliance as per the RRA first priority in the Strategic Plan for 2015/16-2017/2018.

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.

The rationale for enhancing taxpayer’s compliance derives from the primary goal of the RRA which is to collect taxes and duties payable in accordance with the law and do this in such a manner that will sustain confidence in the tax system and its administration. The actions of taxpayers, whether due to ignorance, carelessness, recklessness or deliberate evasion, as well as weaknesses in the tax administration mean that instances of failure to comply with the law are inevitable. As such, RRA will endeavor to promote strategies and structures that ensure non-compliance with the tax law is kept to a minimum level.

The overall objective of this compliance improvement plan is to facilitate the compliance process by creating a compliance environment in which easy administrative procedures, systematic guidance of the taxpayers and a variety of incentives will make the taxpayers comply with their tax obligations to the highest extent possible.

During the period of this compliance improvement plan, RRA efforts will focus on the expansion of the tax base and collection of the appropriate amount of tax from taxpayers. This is going to be achieved through undertaking various initiatives targeting to influencing the current taxpayers’ compliance behavior and strong enforcement measures for intentional non compliance attitude leading to reduction of the tax gap.

## 1.2. BACKGROUND

The TADAT assessment report of August 2015 identified unsystematic impact assessment of compliance management interventions across the RRA. Some weak areas were pointed out including but not limited to: registration, filing, payment and accuracy reporting and there is a need for RRA to understand the causes of non-compliant behavior of taxpayer and take adequate corrective measures. The International experience suggests that most types of non compliance are best treated by: i) understanding underlying causes; ii) making groups of taxpayers aware that their noncompliant behavior is known; iii) adopting a cooperative approach to reconciling; and iv) demonstrating the seriousness of the administration through small numbers of high-profile enforcement activities.

It is in this context that RRA with IMF TA had developed Compliance Risk Analysis Model and Tool based on best practices from Australia Tax Office. The adopted model will help the tax administration to maintain a best and sustainable way of improving taxpayer’s attitude and behavior towards fulfilling their obligations.

The adopted following Risk Differentiation Framework (RDF) is made up of four different quadrants (groups) that contain taxpayers with common behaviors as per risk perspective:



Quadrant 1: Higher Risk Taxpayers  
 Quadrant 2: Key Taxpayers  
 Quadrant 3: Medium Risk Taxpayers  
 Quadrant 4: Lower Risk Taxpayers

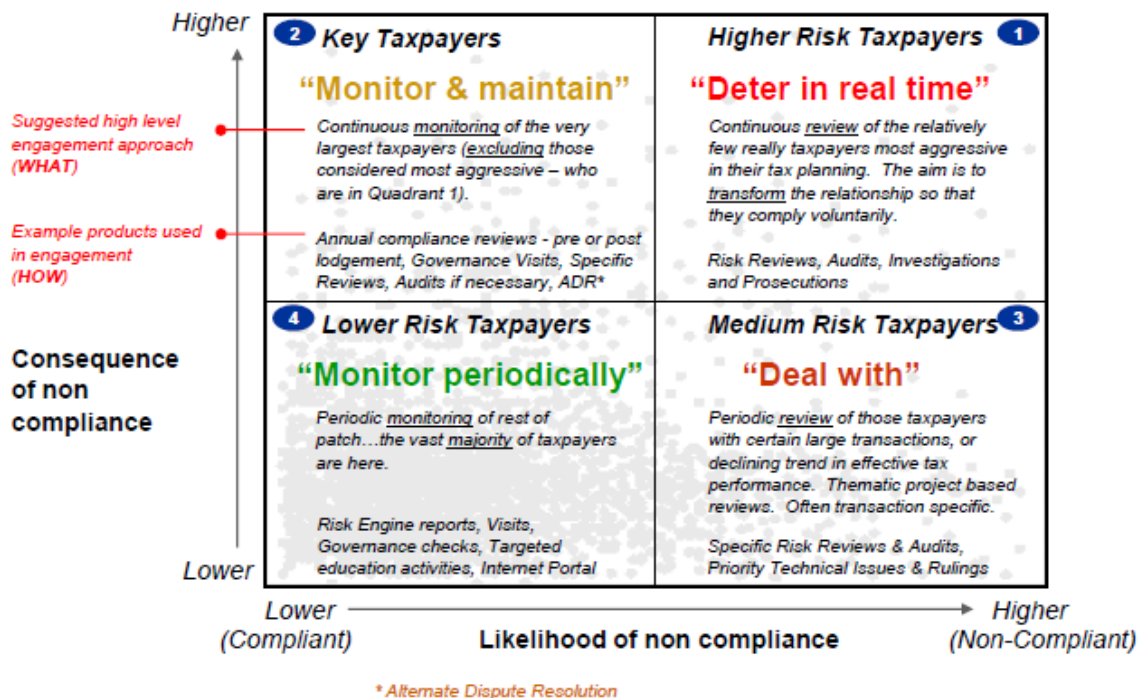


Figure 1 RRA Risk Differentiation Framework

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:

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

### 1.3. COMPLIANCE MODEL

The compliance model below 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 behavior 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.

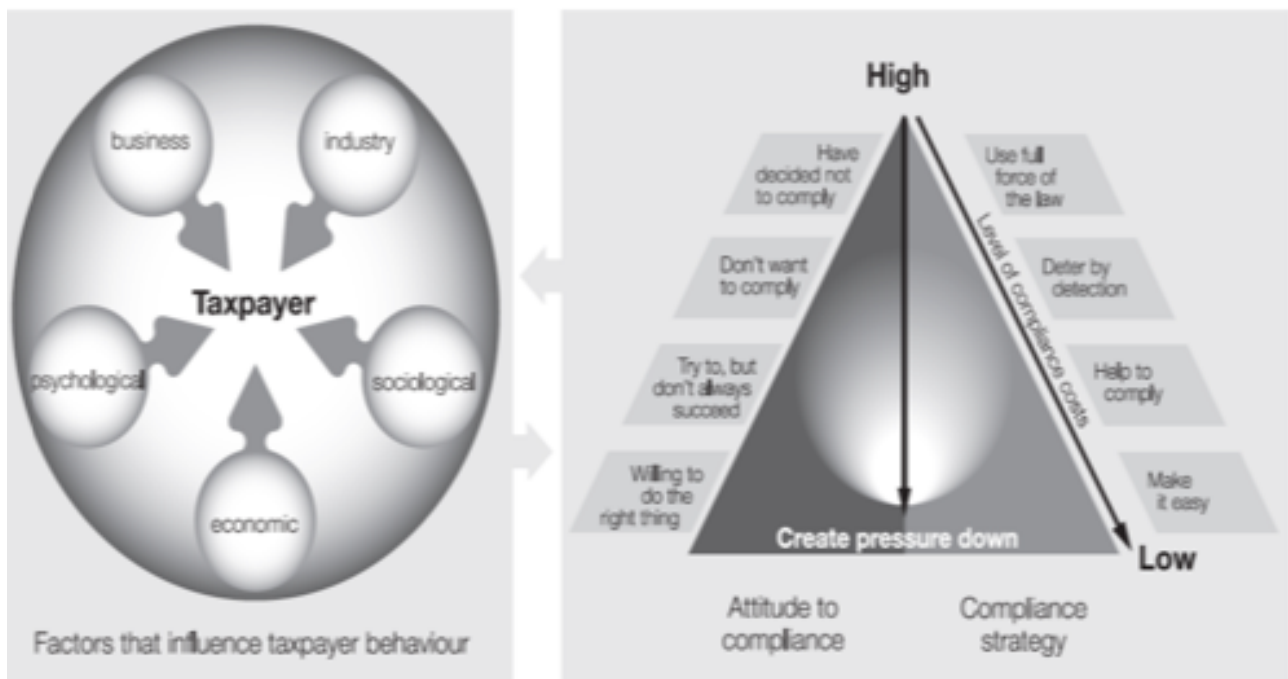


Figure 2 Compliance Model

The model advocates a deeper understanding of motivation, circumstances and characteristics, so that assistance and enforcement actions can be tailored to promote better compliance. The ultimate aim is to influence as many taxpayers as possible to move down the pyramid into the 'willing to do the right thing' zone. Analyzing compliance behavior in this way assists us to address the actual causes of non-compliance rather than the symptoms.

## 2. OUR COMPLIANCE IMPROVEMENT PLAN

### 2.1. METHODS USED TO DETERMINE NON COMPLIANCE

While the overall compliance climate is not good but showing improvement, we know that we need to continuously focus our efforts on not just sustaining the levels of willing compliance, but on creating a climate that is increasingly conducive to full compliance by all taxpayers.

To do this we need to constantly monitor the compliance levels of taxpayers, traders and other stakeholders in order to pin-point areas of high or low compliance and then to understand the drivers of this good or bad behavior so that we can devise appropriate strategies in line with our compliance approach to sustain or alter the behavior as required.

## OUR APPROACH IN DEVELOPING THE COMPLIANCE STRATEGY

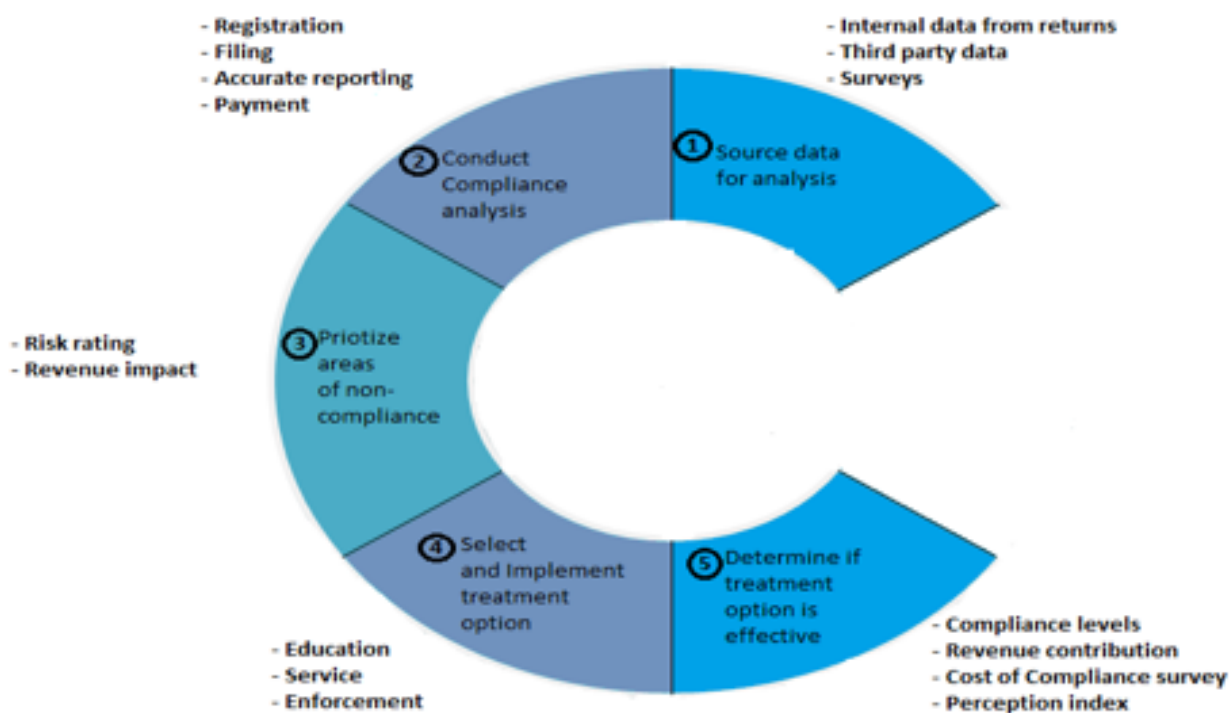


Figure 3 Approach to develop compliance improvement plan

How we select our priority areas:

To ensure our Compliance Improvement Plan is broad and inclusive, and that we explicitly focus on changing the compliance landscape, we look beyond just basic above-the-line risk assessments. This means that for each of our segments and sectors we consider:

The industry's overall risk rating

The revenue risk posed by the industry

Specific lifecycle risks relating to registration, filing, accurate reporting and payment

Systemic legislation and policy gaps and risks

Which system optimization would have the biggest impact on compliance

Which education and empowerment initiatives would have the biggest impact on compliance

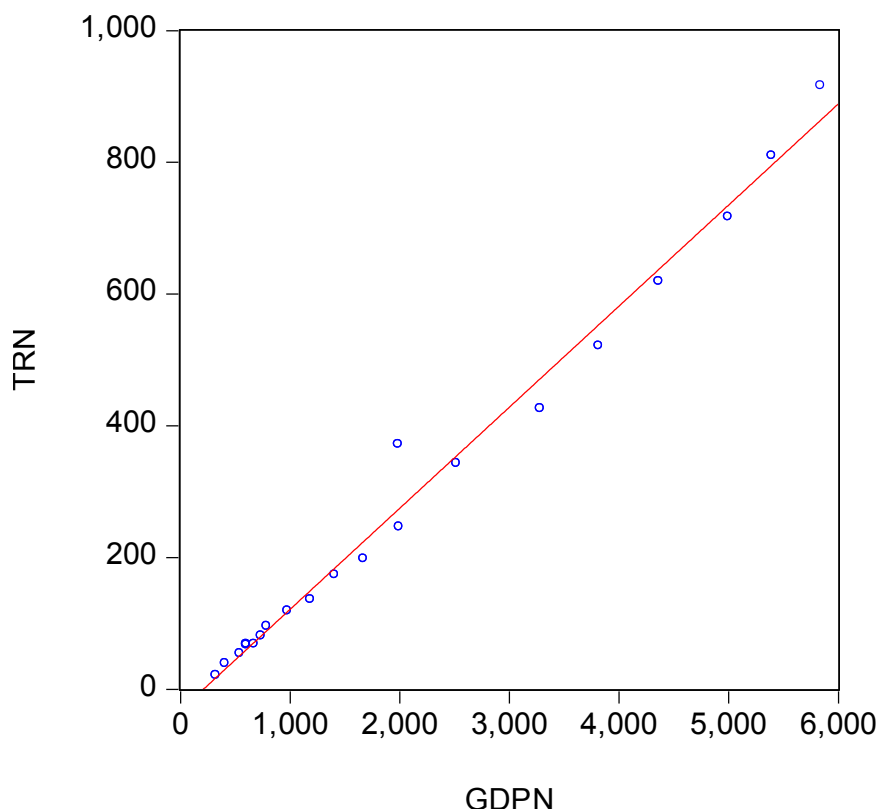
What leverage opportunities we have to maximize compliance

To select and prioritize areas for compliance improvement, we used the macroeconomic approach to detect non compliance and RDF model methods on 2015 tax returns data to classify taxpayers into different quadrants as described in previous pages.

### 2.1.1 DETECTING NON COMPLIANCE USING MACROECONOMIC DATA

The objective of using macro economic data while analyzing the level of compliance is mainly to determine the underreporting of income by economic sectors. To achieve this objective, one has to use the basic econometric model establishing the relationship among taxes and GDP (expressed in nominal values), the latter being taken as a proxy of the tax base. The basic model is given by the following formula:

$$\ln TR_t = \ln \beta_0 + \beta_1 \ln GDP_t + \epsilon_t$$



Where: TRt is aggregated Tax Revenues in time t  
 GDPt is Gross Domestic Product in time t  
 $\epsilon_t$  is the Error Term or stochastic term  
 ln is natural logarithm

Figure 4 Regression Analysis

Tax revenues being a stochastic variable, one may easily point out that for 2014 and 2015 tax periods, the authority has collected revenues above the average which significantly confirm the good performance compared to previous tax periods under consideration.

Various empirical studies have shown that Rwanda has an elastic tax system, with an overall elasticity estimated to 1.39% which implies that there is a way of increasing revenue collections without necessarily introducing discretionary policy changes. The analysis has also shown that except the import duty which the elasticity was estimated to 0.67%, other tax heads were found elastic with elasticity estimated to 1.637%, 1.114%, 1.0147% respectively for direct taxes, VAT and excise duty (BNR, Economic Review, Vol 8). The detailed analysis of non compliance by tax head and by business sector will be more useful after updating the tax registry as per ISIC requirement and most probably will be included in the next compliance improvement plan.

## 2.1.2. RISK DIFFERENTIATION FRAMEWORK

To be aware of its own causes of non-compliant behavior of taxpayers, the tax administration needs to stimulate compliance and prevent non-compliance. In order to attain that objective, RDF tool helps to frame taxpayers' risk to revenue using different metrics to measure and calculate data for profiling purpose.

The metrics listed below have been used for tax compliance.

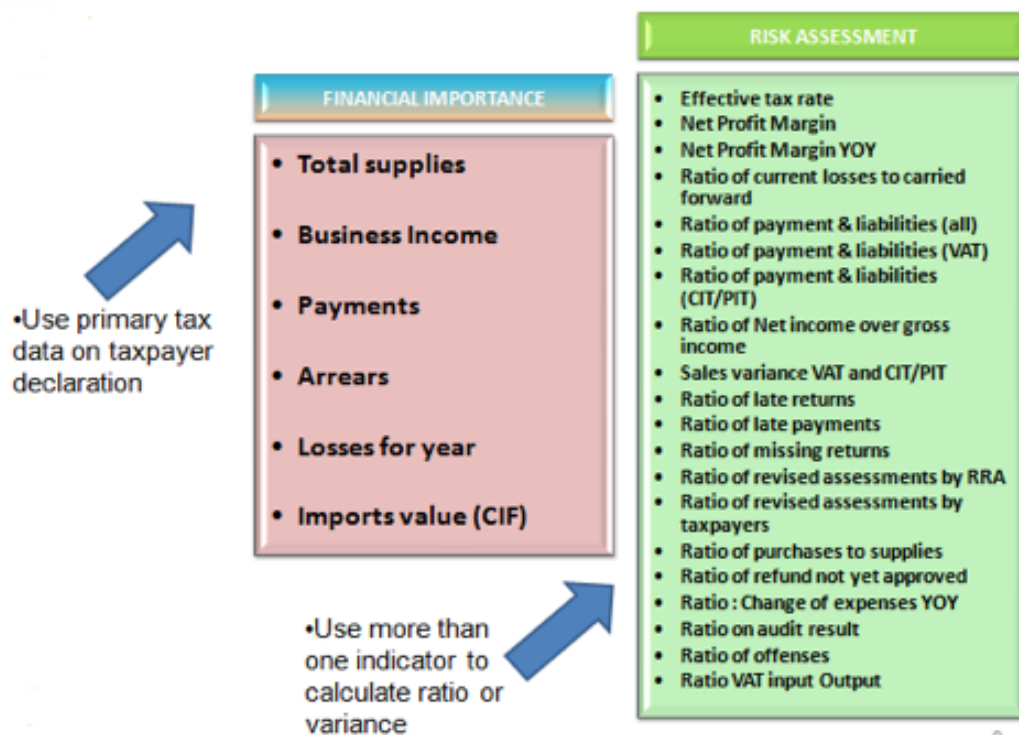


Figure 5 List of metrics developed

### 2.1.3. DETECTING NON COMPLIANT BUSINESS SECTORS

Apart from addressing the non compliance behavior of a specific group of taxpayers (large, medium and small), we are targeting the two business sectors that we are found highly non compliant namely construction and hotel sectors.

The recent study on business profitability analysis where two metrics (Gross profit margin, Pre-tax profit margin) were used and seven business sectors including transportation, general commerce, hardware, construction, hotel, banking and insurance were covered, findings revealed that banking was the most profitable industry with an average pre-tax profit margin of 11.87% followed by hardware, general commerce and insurance industries with an average pre-tax profit margin of 3.26%, 0.8% and 0.48% respectively.

The three last industries in profitability were construction, transportation and hotels with an average pre-tax profit margin of -2.9%, -8.4% and -14.4% respectively.

Based on the above findings, RDF tool was used to extract data on the Hotel and Construction sectors in order to analyze, profile and classify taxpayers into different differentiation quadrants as per their compliance levels.

## 2.2 PRIORITY AREAS AT A GLANCE

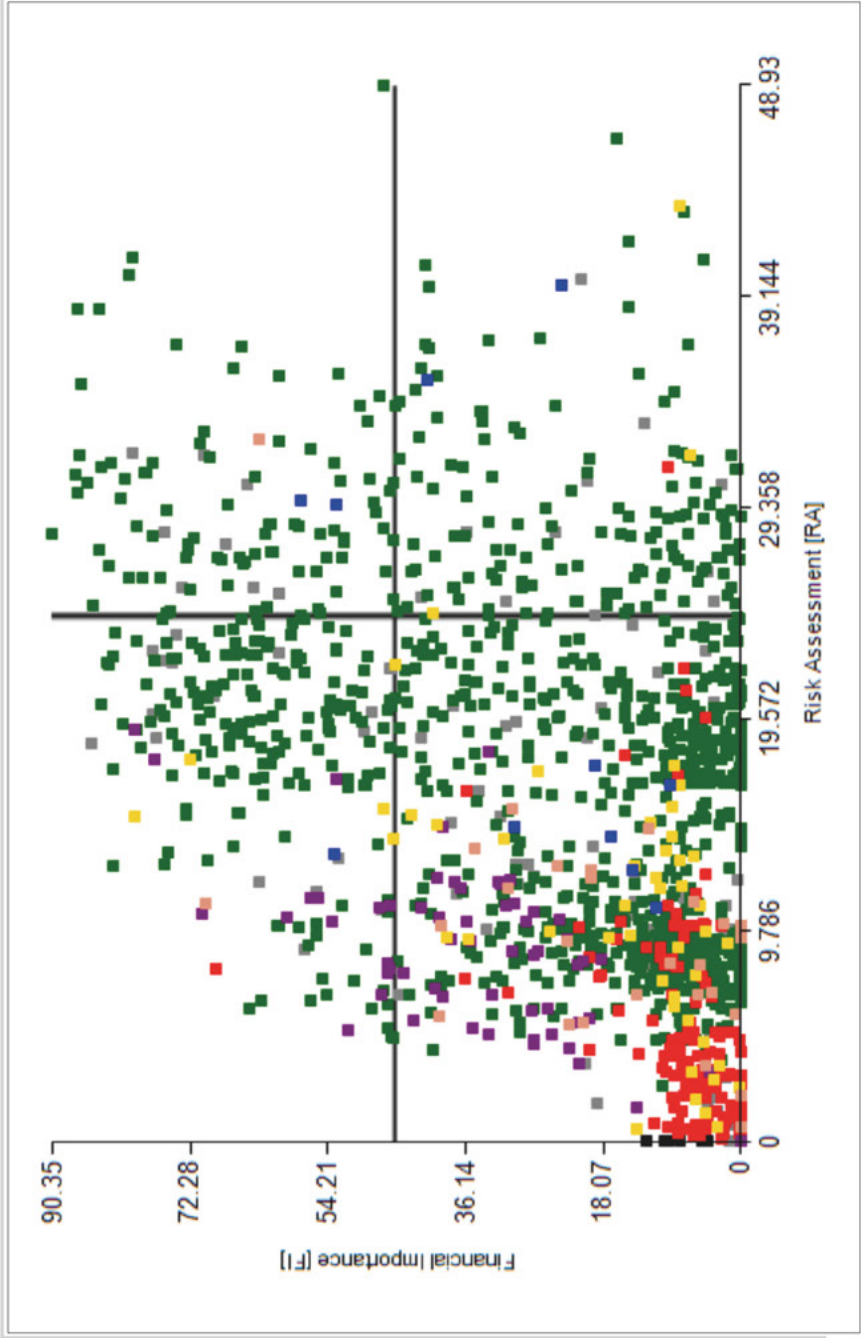
Using the approaches and methods discussed above, over the next financial year we will specifically focus on two following sectors across Large, Medium and Small taxpayers:

1. Construction sector
2. Hotel Sector

Broadly we will also focus on the remaining sectors in the three mentioned segments. Therefore, we have developed Compliance Strategies for target sectors: Construction and Hotel, Large, Medium and Small Taxpayers as groups.

# RDF Results for Construction










Risk Profiles: Enterprises (Sector, Point-Score Base



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

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

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

Legend	
	\Customs
	\Tax\Arrears
	\Tax\CIT
	\Tax\Filing
	\Tax\MULTITAX
	\Tax\Payment
	\Tax\Reference
	\Tax\Revision
	\Tax\VAT

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>215</u>
Total Supplies	RF105,045,430,552
Total Income	RF73,979,117,380
Total Arrears	(RF90,891,865)
Total Losses	RF784,107,000
Total Payments	RF11,486,352,396
% Share of Collections	20%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>97</u>
Total Supplies	RF160,163,796,792
Total Income	RF190,465,447,608
Total Arrears	(RF54,700,433)
Total Losses	RF14,739,148,000
Total Payments	RF38,489,448,890
% Share of Collections	65%

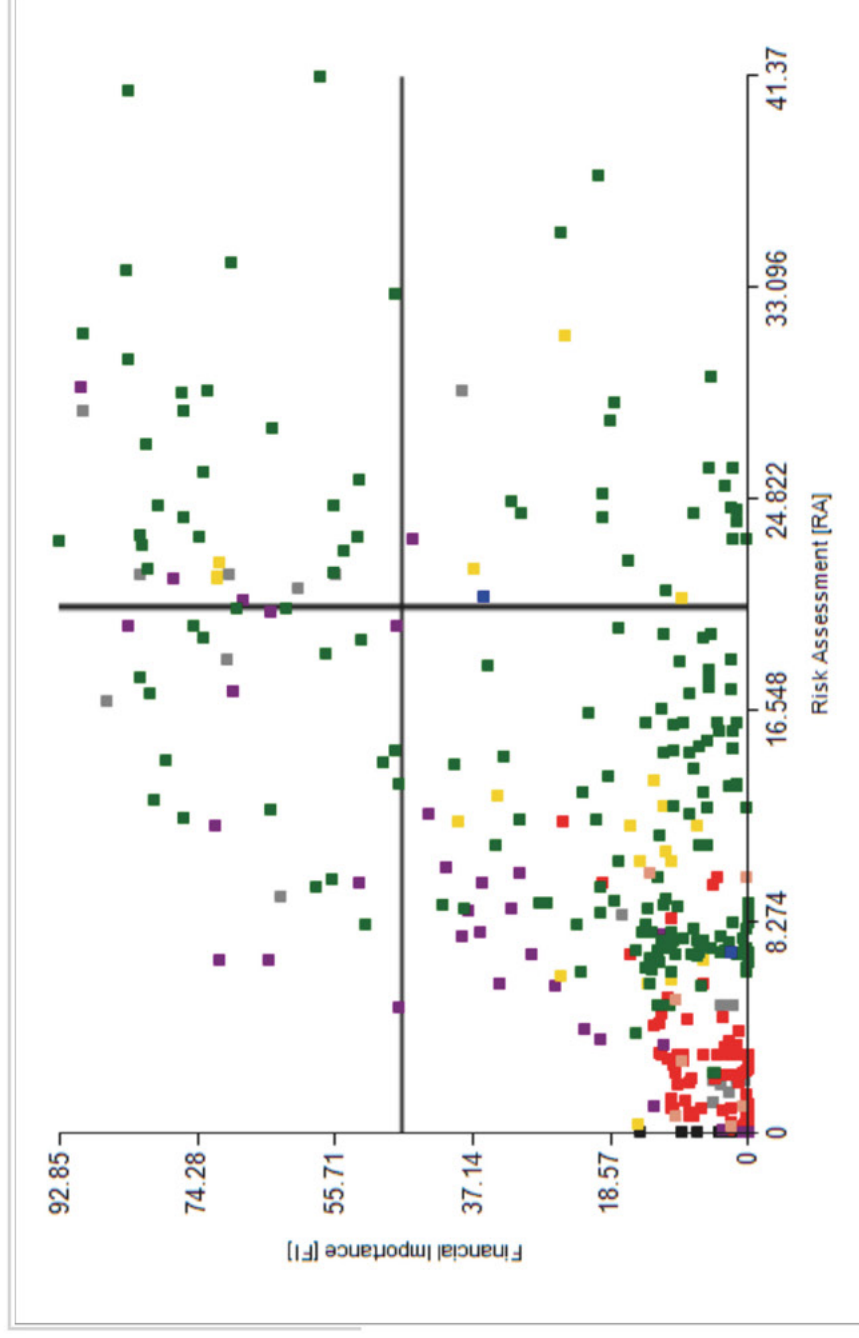
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>3,463</u>
Total Supplies	RF17,443,262,782
Total Income	RF7,473,710,675
Total Arrears	(RF262,263,165)
Total Losses	RF125,599,000
Total Payments	RF2,679,613,083
% Share of Collections	5%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>152</u>
Total Supplies	RF7,033,589,605
Total Income	RF10,368,588,488
Total Arrears	(RF148,479,953)
Total Losses	RF12,963,685,000
Total Payments	RF6,116,933,626
% Share of Collections	10%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs	91	2.32
\Tax\CIT	1864	47.55
\Tax\Filing	1810	46.17
\Tax\MULTITAX	67	1.71
\Tax\Payment	48	1.22
\Tax\Revision	29	0.74
\Tax\VAT	11	0.28

## RDF Results for Construction

*Risk Profiles: Individuals (Sector, Point-Score Basis)*



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

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

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

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

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>30</u>
Total Supplies	RF5,246,825,852
Total Income	RF5,659,255,051
Total Arrears	(RF235,072)
Total Losses	RF0
Total Payments	RF1,180,434,201
% Share of Collections	36%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>36</u>
Total Supplies	RF14,407,598,425
Total Income	RF17,018,826,978
Total Arrears	(RF43,238,957)
Total Losses	RF275,438,600
Total Payments	RF1,928,947,729
% Share of Collections	60%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>594</u>
Total Supplies	RF528,266,051
Total Income	RF492,149,805
Total Arrears	(RF100,029,330)
Total Losses	RF0
Total Payments	RF76,963,597
% Share of Collections	2%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>26</u>
Total Supplies	RF252,027,399
Total Income	RF323,726,446
Total Arrears	(RF12,921,048)
Total Losses	RF92,072,860
Total Payments	RF49,606,087
% Share of Collections	2%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
\Customs	22	3.24
\Tax\Filing	370	54.49
\Tax\MULTITAX	37	5.45
\Tax\Payment	20	2.95
\Tax\PIT	221	32.55
\Tax\Revision	7	1.03
\Tax\VAT	2	0.29

## 2.2.1. Compliance Strategy: Construction

The construction sector is high risk for all key compliance categories. In particular, PAYE is underperforming. This is due to a pervasive culture of informal employment. Additionally, there is a high likelihood of large companies utilizing complex schemes to evade. The strategy for improvement is to organize compliance resources around individual construction projects. Further, new requirements will be introduced for online verification of workers. During the year, we will target successful referrals for criminal prosecution.			
<b>1. Strategy Overview:</b>			
<b>2. Segment Profile</b>			
<b>2.0 Criteria for inclusion:</b> ISIC: 452, 4520, 453, 4530, 4540, 454, 45			
<b>2.1 Amount / type of tax revenue:</b>			
<b>Tax Type</b>	<b>Revenue</b>	<b>Tot.Rev.</b>	
IT			
VAT			
PAYE			
Total tax collection represents:			
IT –			
VAT –			
PAYE –			
*Calendar year 2015			
<b>2.2 Number / type of taxpayers:</b>			
<b>Type</b>	<b>No</b>		
Private Corporation	3845		
Individual	724		
Partnership	56		
Cooperative	36		
Association	36		
Joint Venture	34		
Government Body	2		
Public Corporation	1		
Non Gov. Org.	1		
<b>3. Key Compliance Risks</b>			
<b>High</b>			
<b>3.1 Registration risk:</b> Pervasive use of informal employment arrangements Significant number of “fly by night” and fictitious companies Significant number of foreign workers not registered			
<b>High</b>			
<b>3.2 Filing risk:</b> Significant late filing and large number of missing returns - Late Filed: 443 (tax year 2015) - Missing Returns: 6,010 (tax year 2015)			
Basic literacy obstacle with many informal employees			
<b>High</b>			
<b>3.3 Payment risk:</b> The majority of arrears is associated with small taxpayers - Total Arrears: RF 706M (tax year 2015)			
<b>High</b>			
<b>3.4 Underreporting risk:</b> Significant number of taxpayers conducting off-books transactions Large construction firms are implementing aggressive tax planning Purchases and expenses being redirected for personal use Evasion on importations by investment certificate holders Inflated investment expenses and continual losses Nil returns submitted but economic activity detected			
<b>5. Compliance Indicators</b>			
% increase in self-employed registration			
% increase in foreign worker registration			
% increase in on-time filing and decrease in missing returns			
% decrease in total arrears			
% decrease in investment expenses			
% increase in total collections			
<b>6. Workflows</b>			
Type/Number of Actions	High Risk	Medium Risk	Key Client
Registration Checks	60	40	
Advisory Visits	30		5
Issue Audits			
Comprehensive Audits			
Debt collection Actions			
<b>Information Systems, Telecommunications</b>			
Capability to broadcast SMS messages			
Capability to validate online self-employment status			
<b>Administrative Tools</b>			
New legislation compelling online validation of workers			
New MOUs with Immigration, City of Kigali			

## 2.2.2. Compliance Strategy Action Plan: Construction

### Literature

#	Owner	Due By	Literature	Description
1	TPS	08-JUL-16	Tax Compliance for Construction	Describe basic obligations and specific issues relating to Construction
2	TPS	08-JUL-16	Tax Compliance for Self-Employed Working in Construction	Describe employment relationships and tax obligations, emphasize filing of personal returns or remittance through PAYE
3	TPS	05-JUL-16	Translate literature into key language	Target literature for foreign worker languages

### Community Interaction

#	Owner	Due By	Interaction	Description
4	TPS	07-JUL-16	The Rwanda Institute of Engineers	Introduce compliance concepts and strategy; agree terms for mutual support; encourage association to coordinate industry meetings and workshops.
5	TPS	05-JUL-16	Construction Magazine Rwanda	Contact the <i>Construction Magazine Rwanda</i> to identify opportunities for collaboration

### Media

#	Owner	Due By	Media Spots	Description
6	CG	05-JUL-16	Launching of compliance improvement plan	Providing information to the public on taxpayer compliance improvement plan
7	TPS	05-JUL-16	The RRA to Focus on Construction	Introduce the Construction compliance strategy concept to the public. Employ newspaper and digital channels.
8	TPS	15-DEC-16	Construction Compliance Strategy – Emphasis on Risks & Treatments	Formally introduce the strategy, after having received feedback from industry. Highlight the future use of media to name and shame noncompliant taxpayers. Note: Consider publishing construction RDFs.
9	TPS	05- JUL-16	Encouraging the tax fraud and evasion reporting hotline	Re-launch the hotline to capture information on taxpayer
10	TPS	05- JUL-16	Introduce the online validation	Introduce how to use the service and communicate by when it is

## 2.2.2. Compliance Strategy Action Plan: Construction [Continued]

			service for workers	required
11	TPS	14-JUL-16	RRA to Conduct Seminar on Compliance in construction	Formally introduce upcoming compliance seminars for Construction and self-employed workers.
12	TPS	31-JAN-17	Reminder, Tax Focusing on Construction	Communicate issues found through site visits and RDF strategies. Urge Construction to voluntarily disclose correct declarations.
13	TPS	31-MAY-17	Noncompliant Construction	Publish a list of noncompliant Construction and specific issues found relating to self-employment and losses.
14	CG	30-JUN-18	Prosecutions from Noncompliance in Constructions	Publish person(s) referred and successfully prosecuted for evading tax obligations. Communicate seriousness of RRA's compliance efforts.

### Education Seminars

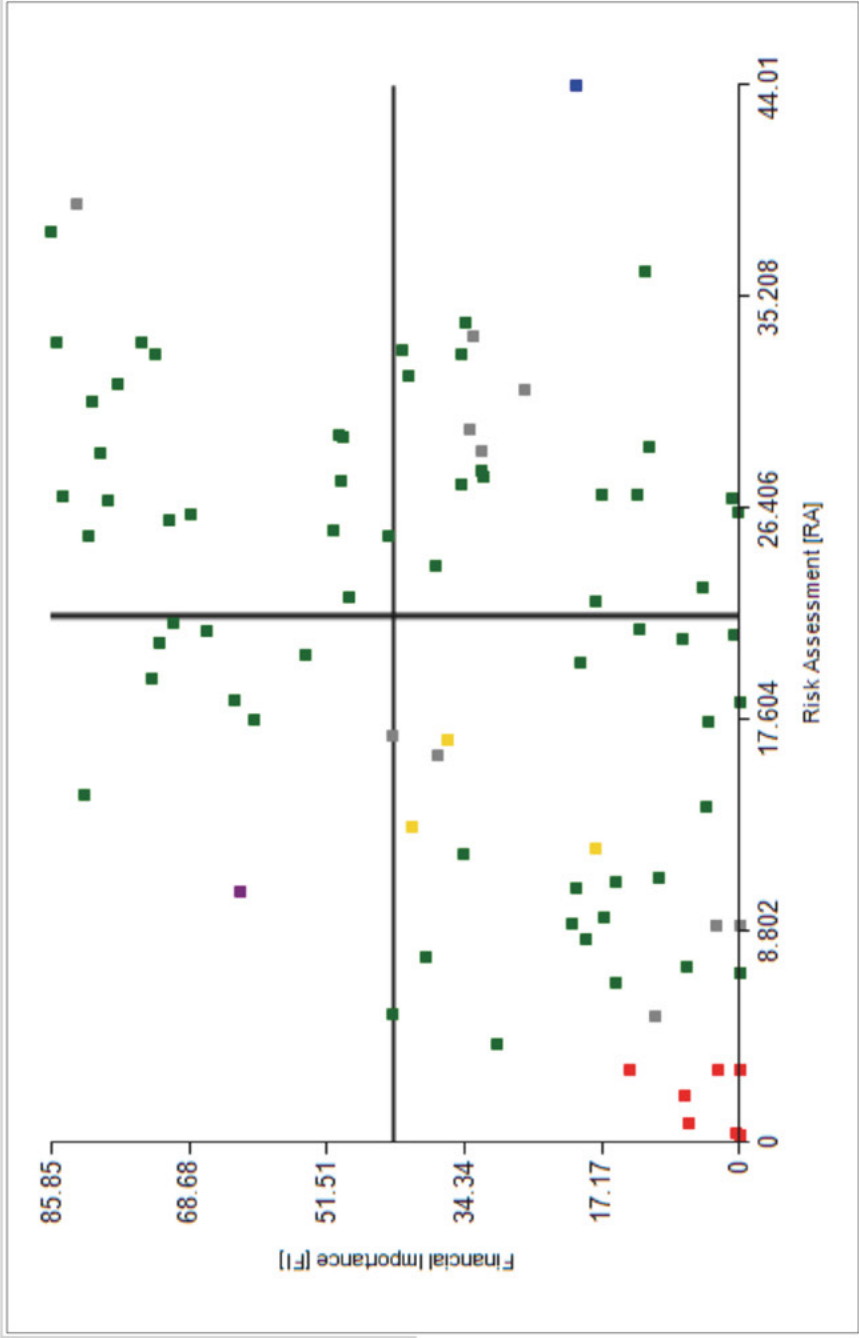
#	Owner	Due By	Seminar	Description
15	TPS	12-JUL-16	Tax Compliance for Construction	Communicate the current strategy, obligations and discuss compliance risks and treatments.
16	TPS	12-JUL-16	Tax Compliance for Self-Employed	Communicate purpose of the meeting, obligations and assistance available from RRA.

### Capacity Development

#	Owner	Due By	Action	Description
17	CRMMD	31-AUG-16	Acquire data from City of Kigali and immigration	Acquire data for compliance research, primarily to identify instance of large, new construction. A new MOU is needed for permanent access to stakeholders' database.
18	DTD	31-AUG-16	Develop offline registration validation checklists	To facilitate capture of registration data by TPS in the field during site visits

# RDF Results for Hotels

Risk Profiles: Enterprises (Sector, Point-Score Basis)



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

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

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

Legend	
\Customs	
\Tax\Arrears	
\Tax\CIT	
\Tax\Filing	
\Tax\MULTITAX	
\Tax\Payment	
\Tax\Reference	
\Tax\Revision	
\Tax\VAT	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>11</u>
Total Supplies	RF22,506,027,256
Total Income	RF21,327,637,501
Total Arrears	(RF30,328,784)
Total Losses	RF0
Total Payments	RF5,430,406,288
% Share of Collections	67%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>19</u>
Total Supplies	RF5,797,253,022
Total Income	RF5,865,232,659
Total Arrears	(RF42,879,585)
Total Losses	RF931,107,000
Total Payments	RF675,749,061
% Share of Collections	8%

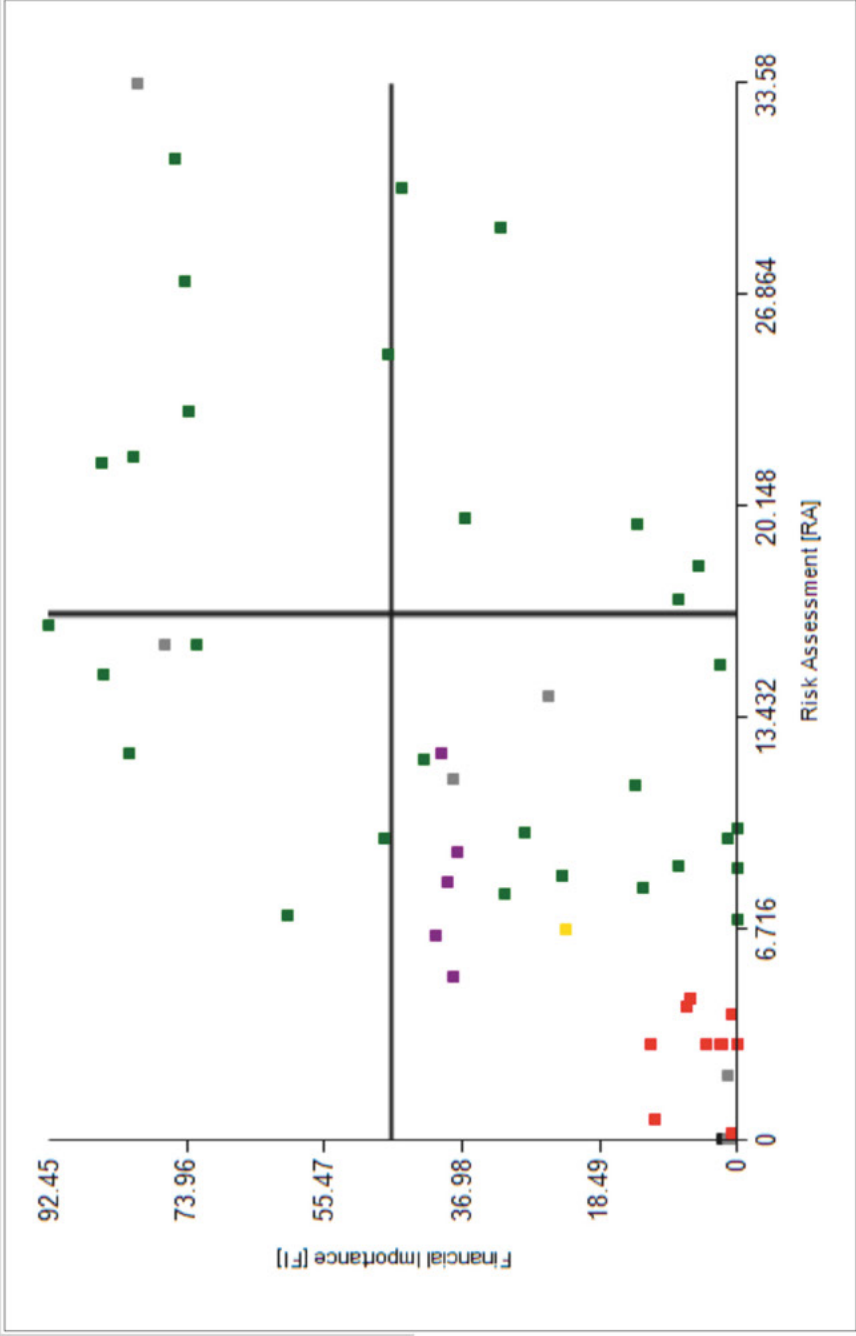
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>48</u>
Total Supplies	RF2,551,341,233
Total Income	RF2,598,146,472
Total Arrears	(RF10,262,951)
Total Losses	RF0
Total Payments	RF744,351,871
% Share of Collections	9%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>21</u>
Total Supplies	RF4,868,176,589
Total Income	RF4,844,138,835
Total Arrears	(RF3,636,375)
Total Losses	RF17,490,076,000
Total Payments	RF1,201,216,061
% Share of Collections	15%

Distribution of Profiles by Risk Category			
Risk Assessment Category	#		%
\Customs	10		10.1
\Tax\CIT	65		65.66
\Tax\Filing	19		19.19
\Tax\MULTITAX	1		1.01
\Tax\Payment	3		3.03
\Tax\VAT	1		1.01

# RDF Results for Hotels

Risk Profiles: Individuals (Sector, Point-Score Basis)



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

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

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

Legend	
\Customs	
\Tax\Arrears	
\Tax\Filing	
\Tax\MULTITAX	
\Tax\Payment	
\Tax\PIT	
\Tax\Reference	
\Tax\Revision	
\Tax\VAT	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>7</u>
Total Supplies	RF1,566,793,294
Total Income	RF1,574,307,710
Total Arrears	(RF147,253)
Total Losses	RF0
Total Payments	RF337,700,382
% Share of Collections	60%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>7</u>
Total Supplies	RF641,415,249
Total Income	RF642,673,129
Total Arrears	(RF8,261,823)
Total Losses	RF0
Total Payments	RF83,707,962
% Share of Collections	15%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>44</u>
Total Supplies	RF567,605,803
Total Income	RF158,029,446
Total Arrears	(RF3,798,788)
Total Losses	RF0
Total Payments	RF102,392,592
% Share of Collections	18%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>6</u>
Total Supplies	RF371,919,911
Total Income	RF394,005,563
Total Arrears	(RF2,146,782)
Total Losses	RF1,935,673
Total Payments	RF37,183,200
% Share of Collections	7%

Distribution of Profiles by Risk Category		
Risk Assessment Category	#	%
	0	0
\Customs	7	11.11
\Tax\Filing	20	31.75
\Tax\MUL TITAX	5	7.94
\Tax\Payment	1	1.59
\Tax\PIIT	30	47.62

## 2.2.3. Compliance Strategy: Hotels

The hotel sector represents a small percentage of the tax base. However, it is ideal for early implementation of formal compliance strategies. The key compliance risks are registration and underreporting. In particular, losses and informal employment are a serious risk to revenue. They will be treated through significant number of on-site visits, coordination with industry associations, and improvement in internal capabilities. During the year, we will make smart use of media and will target successful referrals for criminal prosecution.			
<b>1. Strategy Overview:</b>			
<b>2. Segment Profile</b>			
<b>2.0 Criteria for inclusion:</b> ISIC: 5510, 551			
<b>2.1 Amount / type of tax revenue:</b>			
<b>Tax Type</b>	<b>Revenue</b>	<b>Tot.Rev.</b>	
IT			
VAT			
PAYE			
Total tax collection represents:			
IT –			
VAT –			
PAYE –			
*Calendar year 2015			
<b>2.2 Number / type of taxpayers:</b>			
<b>Type</b>	<b>No</b>		
Private Corporation	79		
Individual	62		
Partnership	15		
Others	3		
Association	2		
Non Profit Org.	2		
Cooperative	1		
Company	1		
Joint Venture	1		
<b>7. Capacity Development</b>			
<b>Administrative Tools</b> Establish MOUs with Rwanda Hotel Association Develop offline registration forms for RRA staff			
<b>3.1 Registration risk:</b> Significant number of inaccurate registrations Significant number of hotels not register all business activities Pervasive use of informal employment arrangements		<b>3. Key Compliance Risks</b>	
<b>3.2 Filing risk:</b> Some late filing and missing returns - Late Filed: 17 (tax year 2015) - Missing Returns: 424 (tax year 2015)		<b>High</b>	
<b>3.3 Payment risk:</b> The majority of arrears is associated with large hotels - Total Arrears: RF 93M (tax year 2015)		<b>Medium</b>	
<b>3.4 Underreporting risk:</b> Pervasive underreporting of PAYE from informal employment Pervasive inflation of investment expenses Significant declaration of continual losses Deep culture of noncompliance and inadequate deterrents Pervasive falsification of books and records – occupancy and rates		<b>Low</b>	
<b>5. Compliance Indicators</b> % increase in updated registration % increase in self-employed registration % increase in on-time filing and decrease in missing returns % decrease in total arrears % increase in PAYE % decrease in income losses		<b>4. Risk Treatments</b>	
		<b>4.1 Measures for facilitating compliance (service)</b> Capture and update registration details during site visits Conduct a seminar for hotels on tax requirements Conduct a seminar for self-employed staff on tax requirements Develop literature explaining requirements Coordinate with the Rwanda Hotel Association to: - Communicate with hotels - Better understand noncompliance - Assist with registration Develop media to communicate RRA services available to hotels Contact late and stop-filers to secure returns <b>4.2 Measures for dealing with non-compliance (enforcement)</b> Target at successful referrals for criminal prosecution Develop media to publish instances of serious noncompliance Conduct random site visits to validate registration of employees Conduct scheduled site visits to validate investment projects Acquire data on construction applications and permits	
		<b>6. Workflows</b>	
		Taxpayer Risk category	
		High Risk	Medium Risk
		24	6
		10	10

## 2.2.4. Compliance Strategy Action Plan: Hotels

### Literature

#	Owner	Due By	Literature	Description
1	TPS	08-JUL-16	Tax Compliance for Hotels	Describe basic obligations and specific issues relating to hotels
2	TPS	08-JUL-16	Tax Compliance for Self-Employed Working in Hotels	Describe employment relationships and tax obligations, emphasize filing of personal returns or remittance through PAYE

### Community Interaction

#	Owner	Due By	Interaction	Description
3	TPS	11-JUL-16	Rwanda Hotel Association	Introduce compliance concepts and strategy; agree terms for mutual support; encourage association to coordinate industry meetings and workshops.

### Media

#	Owner	Due By	Media Spots	Description
4	CG	05-JUL-16	Launching of compliance improvement plan	Providing information to the public on taxpayer compliance improvement plan
5	TPS	05-JUL-16	The RRA to Focus on Hotels	Introduce the hotels compliance strategy concept to the public. Employ newspaper and digital channels.
6	TPS	15-DEC-16	Hotels Compliance Strategy – Emphasis on Risks & Treatments	Formally introduce the strategy, after having received feedback from industry. Highlight the future use of media to name and shame noncompliant taxpayers. Note: Consider publishing hotel RDFs.
7	TPS	14-JUL-16	RRA to Conduct Seminar on Compliance in Hotels	Formally introduce upcoming compliance seminars for hotels and self-employed workers.
8	TPS	31-JAN-17	Reminder, Tax Focusing on Hotels	Communicate issues found through site visits and RDF strategies. Urge hotels to voluntary disclose correct declarations.
9	TPS	31-MAY-17	Noncompliant Hotels	Publish a list of noncompliant hotels and specific issues found relating to self-employment and losses.
10	CG	30-JUN-18	Prosecutions from Noncompliance in Hotels	Publish person(s) referred and successfully prosecuted for evading tax obligations. Communicate seriousness of RRA's compliance efforts.

## 2.2.4. Compliance Strategy Action Plan: Hotels [Continued]

### Education Seminars

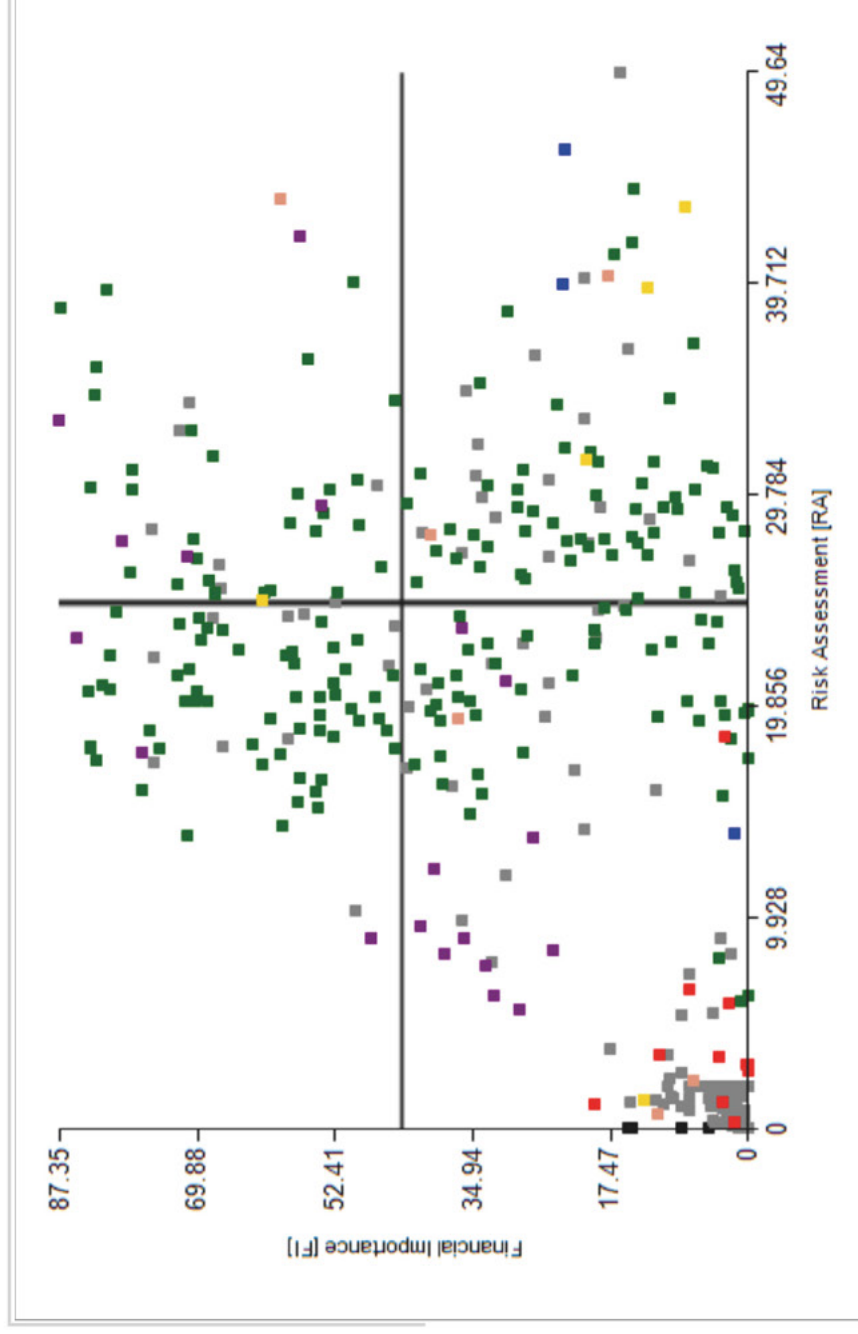
#	Owner	Due By	Seminar	Description
11	TPS	14-JUL-16	Tax Compliance for Hotels	Communicate the current strategy, obligations and discuss compliance risks and treatments.
12	TPS	14-JUL-16	Tax Compliance for Self-Employed	Communicate purpose of the meeting, obligations and assistance available from RRA.

### Capacity Development

#	Owner	Due By	Action	Description
12	CRMMD	31-AUG-16	Acquire data from City of Kigali and immigration	Acquire data for compliance research, primarily to identify instance of large, new construction. A new MOU is needed for permanent access to stakeholders' database.
14	DTD	31-AUG-16	Develop offline registration validation checklists	To facilitate capture of registration data by TPS in the field during site visits

## RDF Results for Large Taxpayers

*Risk Profiles: Enterprises (Cross-Sector, Point-Score Basis)*



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

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

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

Legend	
\Customs	
\Tax\Arrears	
\Tax\CIT	
\Tax\Filing	
\Tax\MULTITAX	
\Tax\Payment	
\Tax\Reference	
\Tax\Revision	
\Tax\VAT	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>70</u>
Total Supplies	RF1,024,701,308,200
Total Income	RF956,548,013,738
Total Arrears	(RF146,898,011)
Total Losses	RF50,217,218,000
Total Payments	RF228,801,691,230
% Share of Collections	57%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>43</u>
Total Supplies	RF617,369,359,247
Total Income	RF603,023,122,732
Total Arrears	(RF1,972,916,101)
Total Losses	RF404,215,194,000
Total Payments	RF94,866,661,413
% Share of Collections	24%

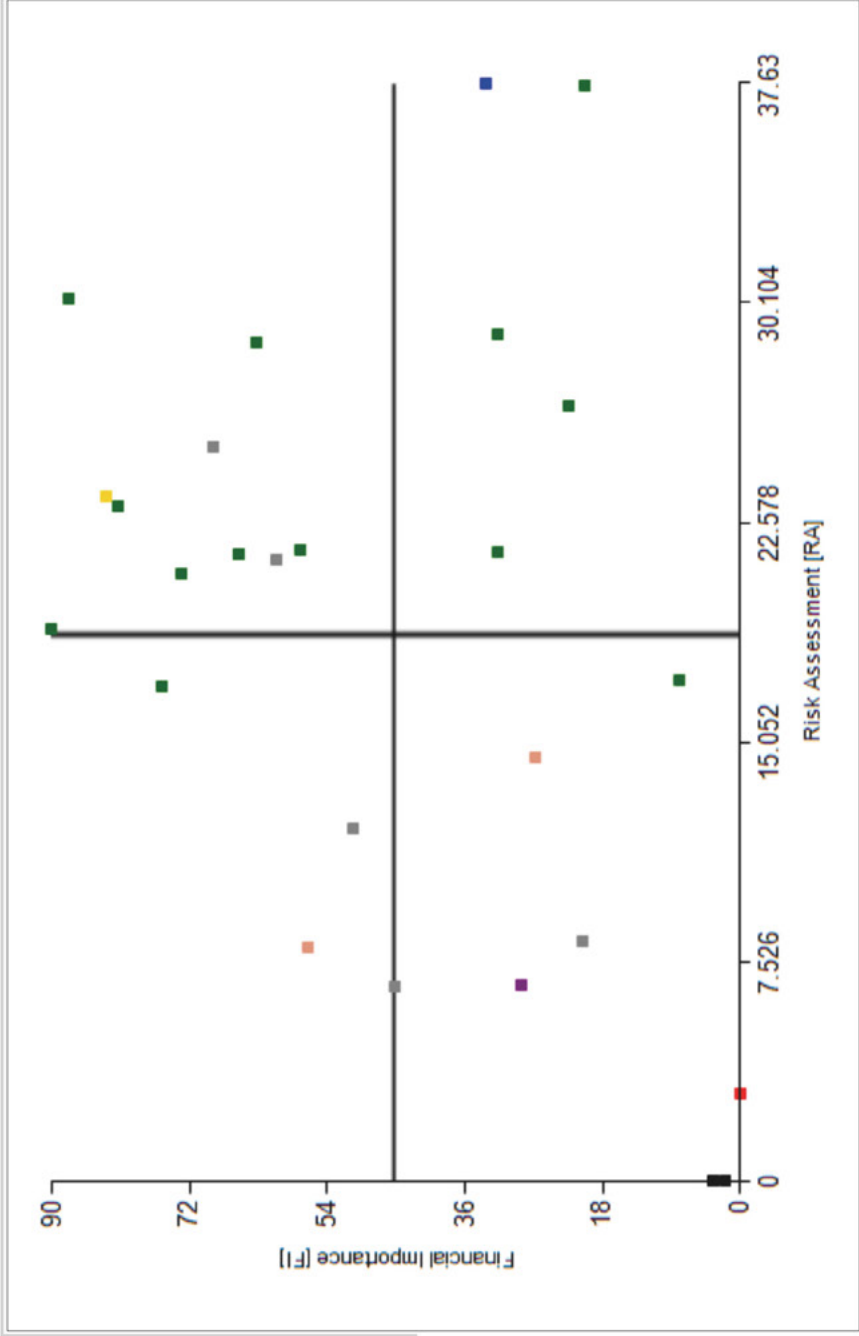
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>193</u>
Total Supplies	RF167,940,252,986
Total Income	RF85,505,363,191
Total Arrears	(RF107,270,316)
Total Losses	RF10,926,132,000
Total Payments	RF46,279,301,828
% Share of Collections	12%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>84</u>
Total Supplies	RF66,399,369,724
Total Income	RF82,558,584,496
Total Arrears	(RF155,470,670)
Total Losses	RF67,882,131,000
Total Payments	RF28,740,258,709
% Share of Collections	7%

Distribution of Profiles by Risk Category			
Risk Assessment Category	#	%	
\Customs	142	36.98	
\Tax\CIT	190	49.48	
\Tax\Filing	19	4.95	
\Tax\MULTITAX	19	4.95	
\Tax\Payment	5	1.3	
\Tax\Revision	6	1.56	
\Tax\VAT	3	0.78	

# RDF Results for Large Taxpayers

Risk Profiles: Individuals (Cross-Sector, Point-Score Basis)



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

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

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

Legend	
\Customs	
\Tax\Arrears	
\Tax\Filing	
\Tax\MULTITAX	
\Tax\Payment	
\Tax\PIT	
\Tax\Reference	
\Tax\Revision	
\Tax\VAT	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<u>4</u>
Total Supplies	RF14,232,822,846
Total Income	RF14,227,526,257
Total Arrears	RF4
Total Losses	RF0
Total Payments	RF1,798,259,797
% Share of Collections	23%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<u>10</u>
Total Supplies	RF99,415,730,753
Total Income	RF103,012,246,616
Total Arrears	(RF120,360,043)
Total Losses	RF0
Total Payments	RF5,348,415,984
% Share of Collections	68%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<u>7</u>
Total Supplies	RF2,377,081,359
Total Income	RF131,766,256
Total Arrears	RF4
Total Losses	RF0
Total Payments	RF556,466,441
% Share of Collections	7%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<u>5</u>
Total Supplies	RF2,162,355,052
Total Income	RF2,244,772,991
Total Arrears	(RF1,846,778)
Total Losses	RF0
Total Payments	RF201,550,489
% Share of Collections	3%

Distribution of Profiles by Risk Category			
Risk Assessment Category	#	%	
\Customs	5	20.83	
\Tax\Filing	1	4.17	
\Tax\MULTITAX	1	4.17	
\Tax\Payment	1	4.17	
\Tax\PIT	13	54.17	
\Tax\Revision	2	8.33	
\Tax\VAT	1	4.17	

## 2.2.5. Compliance Strategy: Large Taxpayers

. Strategy Overview:				
2. Segment Profile		3. Key Compliance Risks		
2.0 Criteria for inclusion: Taxpayers assigned in LTO		3.1 Registration risk: The probability of registration risk is low		
2.1 Amount / type of tax revenue:		3.2 Filing risk: Some late filing and significant missing returns		
Tax Type	Revenue	Tot.Rev.		
IT				
VAT				
PAYE				
Total tax collection represents:				
IT -			Medium	
VAT -				
PAYE -				
*Calendar year 2015				
2.2 Number / type of taxpayers:		3.3 Payment risk: Significant problem with late payment		
Type	No	The majority of arrears is associated with small taxpayers		
PRIVATE CORPORATION	272	- Total Arrears: RF 3.069B (tax year 2015)		
GOVERNMENT BODY	60	- Late payers:74		
INDIVIDUAL	26	3.4 Underreporting risk: Pervasive use of off-books and cash based transactions		
NON PROFIT ORG.	21	Pervasive inflation of investment expenses and other deductions		
NON GOV. ORG.	18	Significant exploitation of fringe benefits		
PUBLIC CORPORATION	15	Significant exploitation of valuation on exports		
ASSOCIATION	11	Extensive use of professional tax consultants for aggressive planning		
PARTNERSHIP	11	Significant use of transfer pricing to evade tax obligation		
COOPERATIVE	5	• exploitation of fees and royalties		
OTHERS	4	5. Compliance Indicators		
JOINT VENTURE	1	% decrease in late filing		
TRUST	1	% decrease in missing returns		
EMBASSY	1	% decrease in total arrears and in late payment		
		% decrease in expenses		
		% increase in total collections		
		% increase in PAYE		
		6. Workflows		
		Taxpayer Risk category		
Type/Number of Actions	High Risk	Medium Risk	Key Client	Lower Risk
Registration Checks	5	5	5	5
Advisory Visits	11	36	14	15
Issue Audits				
Comprehensive Audits				
Debt collection Actions				

## 2.2.6. Compliance Strategy Action Plan: LTO

### Community Interaction

#	Owner	Due By	Interaction	Description
1	TPS	01-Sep-16	Institute of certified public accountants of Rwanda	Do a seminar to introduce compliance concept being implemented
2	TPS	01-Sep-16	Association of tax advisors of Rwanda	Do a seminar to introduce compliance concept being implemented

### Media

#	Owner	Due By	Media Spots	Description
	CG	5-JUL-16	Launching of compliance improvement plan	Providing information to the public on taxpayer compliance improvement plan
3	TPS	5-JUL-16	RRA to focus on compliance	Introduce basic compliance management

### Education Seminars

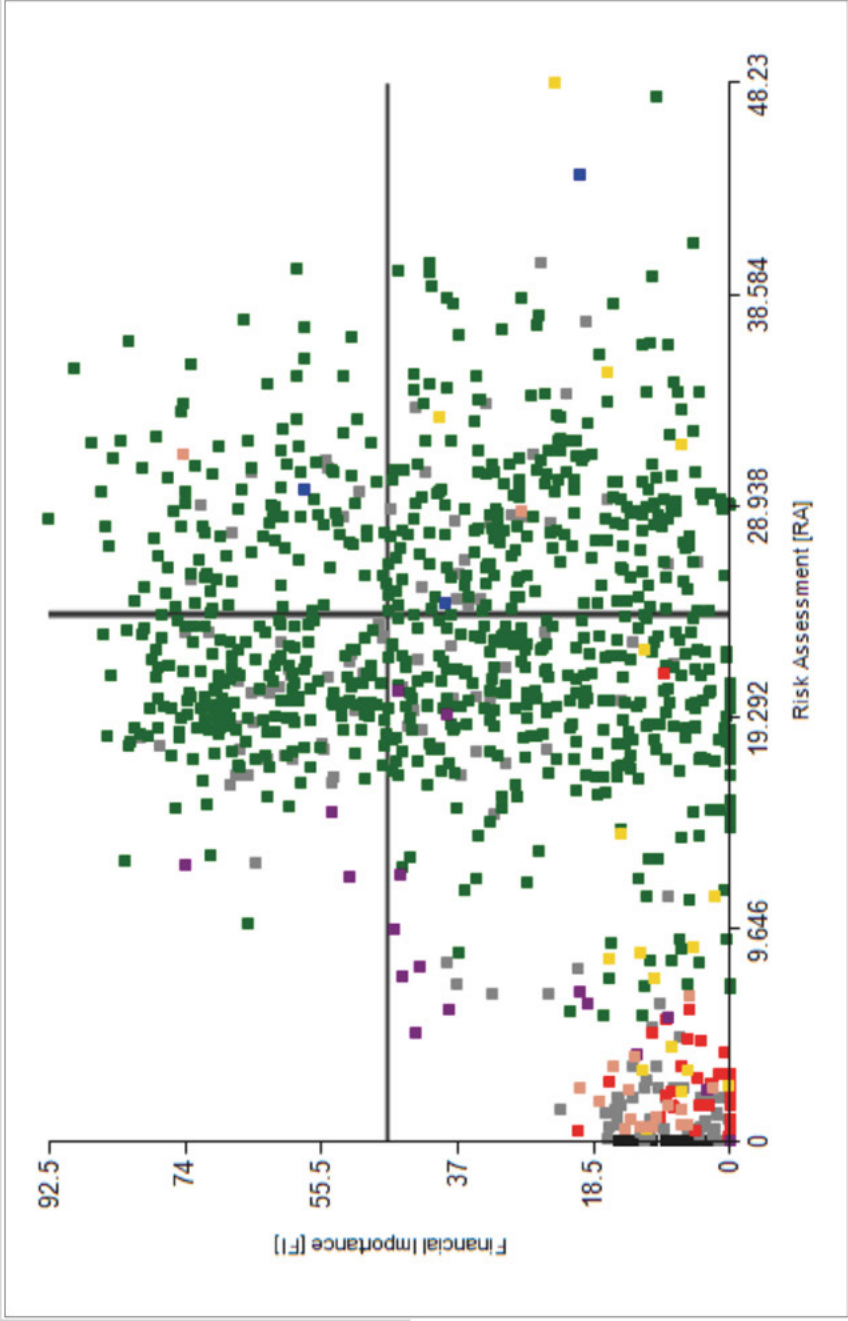
#	Owner	Due By	Seminar	Description
4	TPS	05-Sep-2016	Tax compliance concept for Large taxpayers (special focus on High and medium risk)	Communicate the current strategy, obligations and discuss on compliance risks and treatments
5	TPS	05-Sep-2016	Tax compliance concept for self-employed working with large taxpayers	Communicate the purpose of the meeting, obligations and assistance available from RRA

### Capacity Development

#	Owner	Due By	Action	Description
6	CRMMD	31-AUG-16	Acquire data from City of Kigali and EUCL	Acquire data for compliance research, primarily to identify instance of large, new construction and big consumer of electricity power. A new MOU is needed.
7	CG	30-SEP-16	Include the Compliance council responsibilities into CRM committee	Develop institutional structures to create and manage compliance strategies
8	CG	30-SEP-16	Establish Compliance planning and monitoring group	

# RDF Results for Medium Taxpayers

Risk Profiles: Enterprises (Cross-Sector, Point-Score Basis)



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

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

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

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

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<a href="#">219</a>
Total Supplies	RF303,392,900,772
Total Income	RF298,671,544,671
Total Arrears	(RF39,469,327)
Total Losses	RF549,397,000
Total Payments	RF21,839,523,633
% Share of Collections	39%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<a href="#">115</a>
Total Supplies	RF130,389,165,316
Total Income	RF148,750,747,916
Total Arrears	(RF384,989,540)
Total Losses	RF21,669,053,000
Total Payments	RF12,925,463,927
% Share of Collections	23%

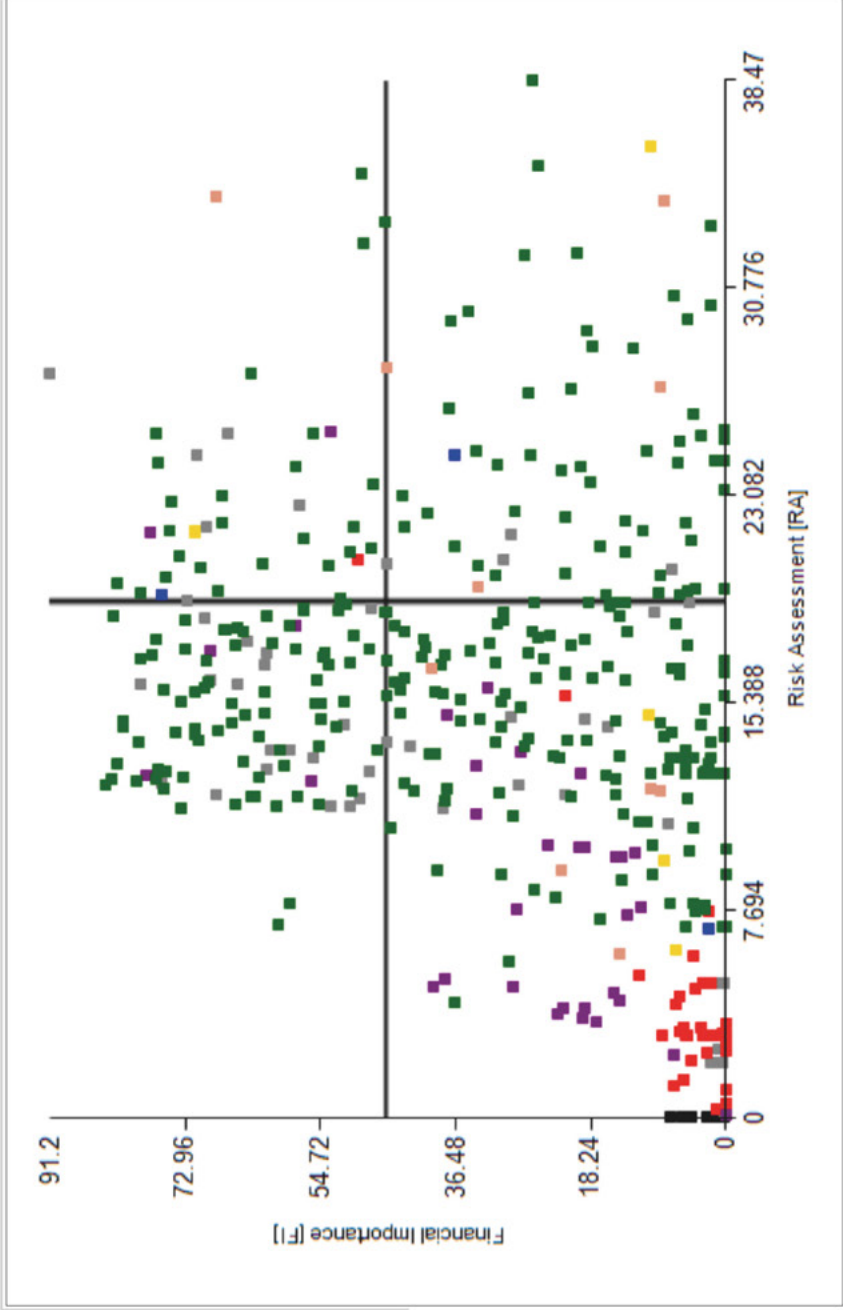
Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<a href="#">630</a>
Total Supplies	RF31,403,031,672
Total Income	RF96,762,361,279
Total Arrears	(RF171,294,849)
Total Losses	RF627,257,000
Total Payments	RF15,863,490,637
% Share of Collections	28%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<a href="#">240</a>
Total Supplies	RF20,331,916,273
Total Income	RF37,857,172,389
Total Arrears	(RF309,343,098)
Total Losses	RF16,786,979,000
Total Payments	RF5,059,784,075
% Share of Collections	9%

Distribution of Profiles by Risk Category			
Risk Assessment Category	#		%
\Customs	150		12.73
\Tax\CIT	815		69.19
\Tax\Filing	158		13.41
\Tax\MULTITAX	17		1.44
\Tax\Payment	17		1.44
\Tax\Revision	18		1.53
\Tax\VAT	3		0.25

# RDF Results for Medium Taxpayers

Risk Profiles: Individuals (Cross-Sector, Point-Score Basis)



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

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

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

Legend	
\Customs	
\Tax\Arrears	
\Tax\Filing	
\Tax\MULTITAX	
\Tax\Payment	
\Tax\PTT	
\Tax\Reference	
\Tax\Revision	
\Tax\VAT	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<a href="#">105</a>
Total Supplies	RF83,514,194,010
Total Income	RF85,879,358,431
Total Arrears	(RF38,257,979)
Total Losses	RF67,398
Total Payments	RF4,090,206,874
% Share of Collections	45%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<a href="#">306</a>
Total Supplies	RF8,185,943,120
Total Income	RF7,585,001,463
Total Arrears	(RF65,754,726)
Total Losses	RF2,046,241
Total Payments	RF1,252,546,929
% Share of Collections	14%

Distribution of Profiles by Risk Category			
Risk Assessment Category	#	%	
\Customs	51	10.08	
\Tax\Filing	102	20.16	
\Tax\MULTITAX	34	6.72	
\Tax\Payment	6	1.19	
\Tax\PIT	300	59.29	
\Tax\Revision	10	1.98	
\Tax\VAT	3	0.59	

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<a href="#">40</a>
Total Supplies	RF36,849,930,133
Total Income	RF39,523,702,898
Total Arrears	(RF99,647,383)
Total Losses	RF103,328,509
Total Payments	RF3,316,778,120
% Share of Collections	37%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<a href="#">62</a>
Total Supplies	RF1,974,947,550
Total Income	RF2,293,312,783
Total Arrears	(RF17,102,279)
Total Losses	RF214,628,077
Total Payments	RF345,712,089
% Share of Collections	4%

## 2.2.7. Compliance Strategy: Medium Taxpayers

Taxpayers covered by this strategy have been assigned "medium" status by RRA. Collectively, they contribute 10% to collections. They are also an important group of employers. For compliance, filing and underreporting are assessed to be the primary categories of risk. The strategy for improvement is to first invest in building taxpayer capacity within the segment and collaborating with SME clusters identified by Minicom. For enforcement, we will leverage a range of capabilities. During the year we will target referrals for criminal prosecution.																														
<b>2. Segment Profile</b>		<b>3. Key Compliance Risks</b>																												
<b>2.0 Criteria for inclusion:</b> Taxpayers designated as having Medium status, as assigned by RRA		<b>3.1 Registration risk: Medium</b> Pervasive use of informal employment arrangements Significant inaccurate registration details																												
<b>2.1 Amount / type of tax revenue:</b> <table><tr><th>Tax Type</th><th>Revenue</th><th>Tot.Rev.</th></tr><tr><td>IT</td><td></td><td></td></tr><tr><td>VAT</td><td></td><td></td></tr><tr><td>PAYE</td><td></td><td></td></tr></table> Total tax collection represents: IT – VAT – PAYE – *Calendar year 2015		Tax Type	Revenue	Tot.Rev.	IT			VAT			PAYE			<b>3.2 Filing risk: High</b> Significant number of missing returns - Late Filed: 175 (tax year 2015) - Missing Returns: 3008 (tax year 2015)																
Tax Type	Revenue	Tot.Rev.																												
IT																														
VAT																														
PAYE																														
<b>2.2 Number / type of taxpayers:</b> <table><tr><th>Type</th><th>No</th></tr><tr><td>PRIVATE CORPORATION</td><td>998</td></tr><tr><td>INDIVIDUAL</td><td>501</td></tr><tr><td>PARTNERSHIP</td><td>75</td></tr><tr><td>NON GOV. ORG.</td><td>51</td></tr><tr><td>NON PROFIT ORG.</td><td>45</td></tr><tr><td>GOVERNMENT BODY</td><td>42</td></tr><tr><td>ASSOCIATION</td><td>30</td></tr><tr><td>COOPERATIVE</td><td>11</td></tr><tr><td>OTHERS</td><td>10</td></tr><tr><td>PUBLIC CORPORATION</td><td>4</td></tr><tr><td>JOINT VENTURE</td><td>4</td></tr><tr><td>EMBASSY</td><td>1</td></tr></table>		Type	No	PRIVATE CORPORATION	998	INDIVIDUAL	501	PARTNERSHIP	75	NON GOV. ORG.	51	NON PROFIT ORG.	45	GOVERNMENT BODY	42	ASSOCIATION	30	COOPERATIVE	11	OTHERS	10	PUBLIC CORPORATION	4	JOINT VENTURE	4	EMBASSY	1	<b>3.3 Payment risk: Medium</b> The majority of arrears is associated with larger taxpayers - Total Arrears: RF 1.189B (tax year 2015) - Late payers:273		
Type	No																													
PRIVATE CORPORATION	998																													
INDIVIDUAL	501																													
PARTNERSHIP	75																													
NON GOV. ORG.	51																													
NON PROFIT ORG.	45																													
GOVERNMENT BODY	42																													
ASSOCIATION	30																													
COOPERATIVE	11																													
OTHERS	10																													
PUBLIC CORPORATION	4																													
JOINT VENTURE	4																													
EMBASSY	1																													
		<b>3.4 Underreporting risk: High</b> Pervasive use of off-books and cash based transactions Pervasive inflation of investment expenses and other deductions Significant exploitation of valuation on exports Significant misreporting between domestic taxes and customs Significant number of taxpayers do not understand tax obligations Extensive use of unregistered and professional tax consultants Some taxpayers have inadequate tax accounting capabilities																												
		<b>5. Compliance Indicators</b> % increase in self-employed registration % increase in on-time filing and decrease in missing returns % decrease in total arrears % decrease in investment expenses % increase in total collections % decrease in variance of reporting between tax and customs																												
		<b>6. Workflows</b> <table><tr><th rowspan="2">Type/Number of Actions</th><th colspan="3">Taxpayer Risk category</th></tr><tr><th>High Risk</th><th>Medium Risk</th><th>Lower Risk</th></tr><tr><td>Registration Checks</td><td></td><td></td><td></td></tr><tr><td>Advisory Visits</td><td>20</td><td>20</td><td>10</td></tr><tr><td>Issue Audits</td><td></td><td></td><td></td></tr><tr><td>Comprehensive Audits</td><td></td><td></td><td></td></tr><tr><td>Debt collection Actions</td><td></td><td></td><td></td></tr></table>		Type/Number of Actions	Taxpayer Risk category			High Risk	Medium Risk	Lower Risk	Registration Checks				Advisory Visits	20	20	10	Issue Audits				Comprehensive Audits				Debt collection Actions			
Type/Number of Actions	Taxpayer Risk category																													
	High Risk	Medium Risk	Lower Risk																											
Registration Checks																														
Advisory Visits	20	20	10																											
Issue Audits																														
Comprehensive Audits																														
Debt collection Actions																														
<b>7. Capacity Development</b>		<b>Information Systems, Telecommunications</b> Capability to broadcast SMS messages Capability to validate online self-employment status																												

## 2.2.8. Compliance Strategy Action Plan: MEDIUM

### Community Interaction

#	Owner	Due By	Interaction	Description
1	TPS	01-Sep-16	Private Sector Federation	Do a seminar to introduce compliance concept being implemented
2	TPS	01-Sep-16	Association of tax advisors of Rwanda	Do a seminar to introduce compliance concept being implemented Organize training on tax laws through ATAR and ICPAR

### Media

#	Owner	Due By	Media Spots	Description
3	CG	5-JUL-16	Launching of compliance improvement plan	Providing information to the public on taxpayer compliance improvement plan
4	TPS	5-JUL-16	RRA to focus on compliance	Introduce basic compliance management
5	TPS	5-JUL-16	Introduce the online validation service for workers	Introduce how to use the service and communicate by when it is required
6	TPS	30-JAN-16	RRA to focus on improving compliance	Reminding taxpayers for filing and payment through SMS or calls

### Education Seminars

#	Owner	Due By	Seminar	Description
7	TPS	19-SEP-16	Tax compliance concept for Medium taxpayers ((special focus on High and medium risk)	Communicate the current strategy, obligations and discuss on compliance risks and treatments
8	TPS	19-SEP-16	Tax compliance concept for self-employed working with Medium taxpayers	Communicate the purpose of the meeting, obligations and assistance available from RRA

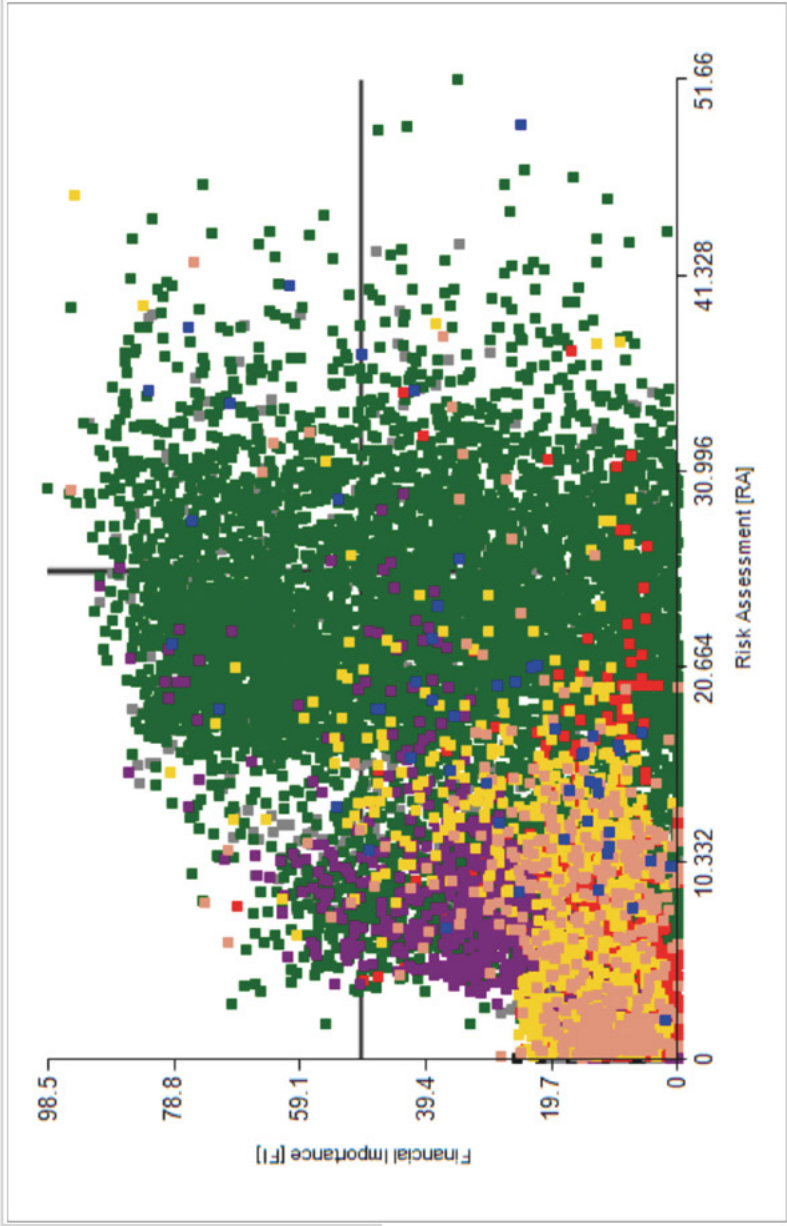
## 2.2.8. Compliance Strategy Action Plan: MEDIUM [Continued]

### Capacity Development

#	Owner	Due By	Action	Description
9	CRMMD	31-AUG-16	Acquire data from City of Kigali and EUCL	Acquire data for compliance research, primarily to identify instance of large, new construction and big consumer of electricity power. A new MOU is needed.
10	CG	30-SEP-16	Include the Compliance council responsibilities into CRM committee	Develop institutional structures to create and manage compliance strategies
11	CG	30-SEP-16	Establish Compliance planning and monitoring group	

# RDF Results for Small Taxpayers

Risk Profiles: Enterprises (Cross-Sector, Point-Score Basis)



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

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

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

Legend
\Customs
\Tax\Arrears
\Tax\CIT
\Tax\Filing
\Tax\MULTITAX
\Tax\Payment
\Tax\Reference
\Tax\Revision
\Tax\VAT

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<a href="#">2,035</a>
Total Supplies	RF773,771,999,422
Total Income	RF797,059,749,603
Total Arrears	(RF561,304,806)
Total Losses	RF18,917,854,000
Total Payments	RF47,722,344,106
% Share of Collections	39%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<a href="#">44,427</a>
Total Supplies	RF101,679,347,494
Total Income	RF185,593,437,048
Total Arrears	(RF2,317,813,117)
Total Losses	RF6,051,226,000
Total Payments	RF44,704,778,584
% Share of Collections	37%

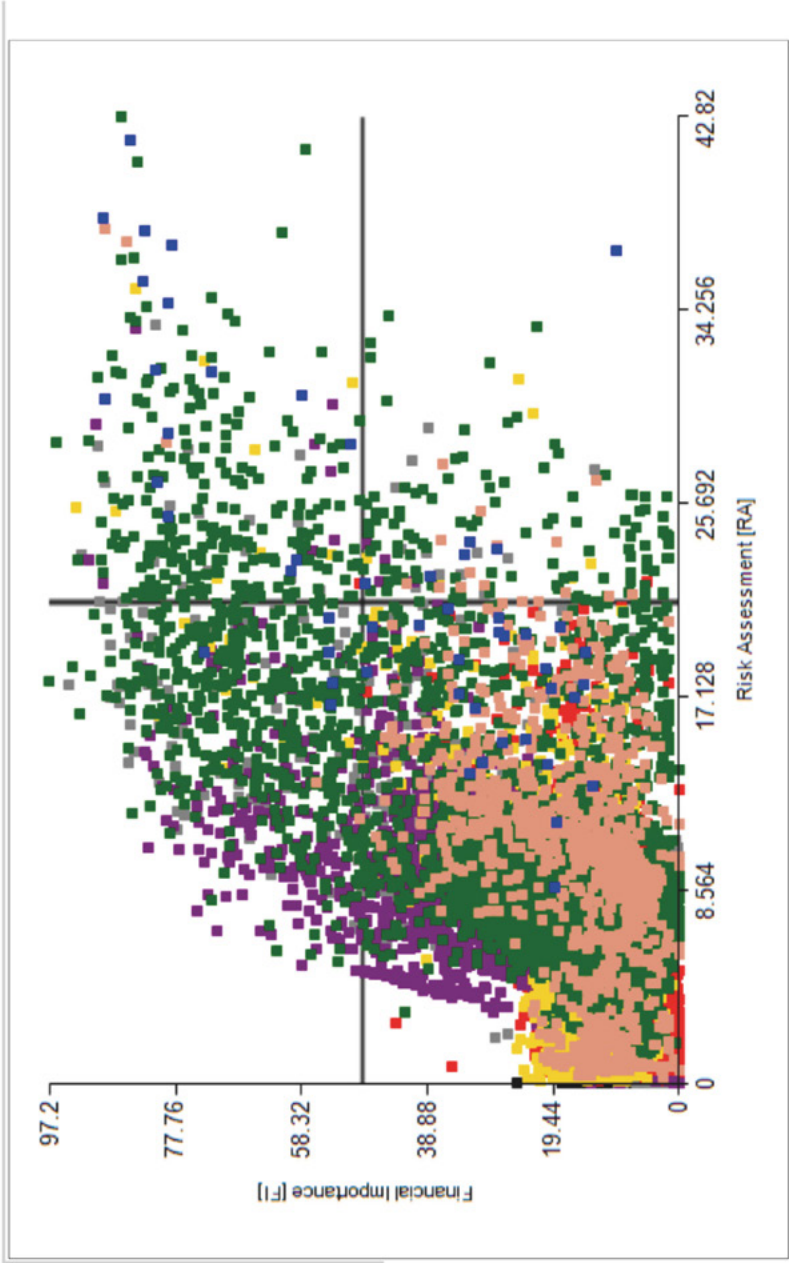
Distribution of Profiles by Risk Category			
Risk Assessment Category	#	%	
\Customs	1462	3.08	
\Tax\CIT	20503	43.13	
\Tax\Filing	23293	49	
\Tax\MULTITAX	772	1.62	
\Tax\Payment	858	1.81	
\Tax\Revision	594	1.25	
\Tax\VAT	52	0.11	

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<a href="#">718</a>
Total Supplies	RF250,489,425,649
Total Income	RF312,825,959,066
Total Arrears	(RF734,736,881)
Total Losses	RF58,669,620,000
Total Payments	RF23,481,948,760
% Share of Collections	19%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<a href="#">1,286</a>
Total Supplies	RF18,020,953,295
Total Income	RF63,187,546,154
Total Arrears	(RF266,870,381)
Total Losses	RF23,415,930,000
Total Payments	RF5,671,178,265
% Share of Collections	5%

# RDF Results for Small Taxpayers

Risk Profiles: Individuals (Cross-Sector, Point-Score Basis)



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

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

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

Legend	
\Customs	
\Tax\Arrears	
\Tax\Filing	
\Tax\MULTITAX	
\Tax\Payment	
\Tax\PIT	
\Tax\Reference	
\Tax\Revision	
\Tax\VAT	

Quadrant 2: Key Taxpayers	
Number of Taxpayers	<a href="#">752</a>
Total Supplies	RF73,983,551,323
Total Income	RF69,230,653,564
Total Arrears	(RF107,481,433)
Total Losses	RF3,502,871
Total Payments	RF3,636,823,670
% Share of Collections	29%

Quadrant 1: High Risk Taxpayers	
Number of Taxpayers	<a href="#">290</a>
Total Supplies	RF49,305,250,936
Total Income	RF58,315,893,036
Total Arrears	(RF65,175,899)
Total Losses	RF207,229,781
Total Payments	RF1,744,089,597
% Share of Collections	14%

Quadrant 4: Lower Risk Taxpayers	
Number of Taxpayers	<a href="#">82,480</a>
Total Supplies	RF11,086,781,438
Total Income	RF65,217,900,396
Total Arrears	(RF1,256,669,091)
Total Losses	RF0
Total Payments	RF7,149,166,581
% Share of Collections	57%

Quadrant 3: Medium Risk Taxpayers	
Number of Taxpayers	<a href="#">157</a>
Total Supplies	RF938,465,213
Total Income	RF1,773,802,752
Total Arrears	(RF29,978,471)
Total Losses	RF5,450,473
Total Payments	RF101,010,876
% Share of Collections	1%

Distribution of Profiles by Risk Category			
Risk Assessment Category	#		%
	0		0
\Customs	2472		2.99
\Tax\Filing	55074		66.55
\Tax\MULTITAX	2410		2.91
\Tax\Payment	1436		1.74
\Tax\PIT	20098		24.29
\Tax\Revision	1208		1.46
\Tax\ VAT	52		0.06

## 2.2.9. Compliance Strategy: Small Taxpayers

1. Strategy Overview:		Small businesses play a vital role in stimulating economic activity, job creation, poverty alleviation and the general upliftment of living standards. Our aim is to make them meeting their tax obligations simpler and at the same time to entrench a culture of voluntary compliance.	
2. Segment Profile		3. Key Compliance Risks	
2.0 Criteria for inclusion:		High	
2.1 Amount / type of tax revenue:		Significant inaccurate registration details	
Tax Type	Revenue	Tot.Rev.	High
IT			
VAT			
PAYE			
Total tax collection represents:		High	
IT –			
VAT –			
PAYE –			
*Calendar year 2015			
2.2 Number / type of taxpayers:		High	
Type	No	Significant number of taxpayers do not understand tax obligations	
INDIVIDUAL	86948	Extensive use of unregistered and professional tax consultants	
PRIVATE CORPORATION	44717	Some taxpayers have inadequate tax accounting capabilities	
COOPERATIVE	2478		
GOVERNMENT BODY	2338		
NON PROFIT ORG.	1286		
ASSOCIATION	1074		
PARTNERSHIP	547		
OTHERS	539		
NON GOV. ORG.	373		
PUBLIC CORPORATION	111		
JOINT VENTURE	73		
TRUST	21		
EMBASSY	13		
Company	12		
PRIVILEGED PERSONS	3		
7. Capacity Development		Administrative Tools	
		Forming Small Businesses advisory groups (block management and other RRA stations)	
		Forming Small Businesses advisory groups (block management and other RRA stations)	

## 2.2.10. Compliance Strategy Action Plan: Small Taxpayers

### Literature

#	Owner	Due By	Literature	Description
1	TPS	31-JAN-17	Tax Compliance for Small Taxpayers	Describe basic obligations and specific issues relating to Small Taxpayers

### Community Interaction

#	Owner	Due By	Interaction	Description
2	TPS	31-JAN-17	PSF	Introduce compliance concepts and strategy; agree terms for mutual support; encourage PSF to coordinate taxpayers' meetings and workshops.
3	TPS	2-FEB-17	New Importers	Training on domestic taxes obligations

### Media

#	Owner	Due By	Media Spots	Description
4	CG	5-JUL-16	Launching of compliance improvement plan	Providing information to the public on taxpayer compliance improvement plan
5	TPS	5-JUL-16	RRA to focus on compliance	Introduce basic compliance management

### Education Seminars

#	Owner	Due By	Seminar	Description
6	TPS	7-FEB-17	Tax Compliance for Small Taxpayers with a special focus on record keeping	Communicate the current strategy, obligations and discuss compliance risks and treatments.

### Capacity Development

#	Owner	Due By	Action	Description
7	DTD	31-AUG-16	Develop offline registration validation checklists	To facilitate capture of registration data by TPS in the field during site visits

### 3. MONITORING AND EVALUATION FRAMEWORK

CRMM Department will be conducting a review on the implementation of each activity assigned to the concerned Department and a report will be submitted to the Commissioner General on a quarterly basis. The monitoring of performance will be evaluated based on various compliance indicators as described in the compliance strategy.

### 4. CONCLUSION

The RRA operates in a complex environment characterized by rapid change. Ensuring compliance, voluntary or otherwise, in this environment is an ongoing challenge requiring communication, quality services, and credible enforcement strategies. For the RRA to be successful it must not only continue but also enhance its partnerships with business in order to encourage cooperative compliance and professional organizations, identify, analyze and address areas of noncompliance as well as remain innovative in transforming our core business in a manner that keeps pace with changes in technology, business and management practices, and the expectations of Rwandans.

### APPENDIX

The degree to which the tax administration mitigate assessed risks to the tax system through a compliance improvement plan.

<b>TADAT requirements for a good Compliance Improvement Plan</b>	<b>At what extent RRA Compliance Improvement Plan respond to TADAT requirements</b>
Does the tax administration have a compliance improvement plan to mitigate identified risk to the tax system?	A compliance improvement plan has been designed for the period 2016-2017.
If so, does the compliance improvement plan include planned mitigation actions in respect of <ul style="list-style-type: none"> <li>• All core taxes</li> <li>• The key taxpayer segments</li> <li>• Risk associated with the four main compliance obligations of taxpayers (registration, filing, payment and accurate reporting in declarations)?</li> <li>• All risks assessed as 'High'?</li> </ul>	The current compliance improvement plan takes into account: <ul style="list-style-type: none"> <li>• PAYE, VAT, Corporate and Personal Income taxes</li> <li>• Hotels and Constructions Sectors are highlighted as High Risks in different segments Large, Medium and Small in the area of Registration, Filing, Accurate reporting and Payment</li> <li>• Areas identified as high risks are taken into consideration on the Compliance Improvement Plan with defined risk strategies for mitigation.</li> </ul>
Does the compliance improvement plan also cover less serious risks where ongoing monitoring, rather than active intervention, is appropriate to ensure that any further erosion of compliance is quickly identified?	Registration checks, advisory visits are included in the compliance improvement plan as actions to be taken to continuously monitor and maintain taxpayer's behavior and attitude for less serious risks areas.
Does the compliance improvement plan cover multiple years or a single year only?	The current compliance improvement plan covers one year (2016-2017)
To what extent was the compliance improvement plan for the most recent completed fiscal year actually implemented?	The evaluation of the implementation of 2015/2016 Compliance Improvement Plan will be done during the 1st Quarter of 2016/2017



# TAXES FOR GROWTH AND DEVELOPMENT

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