REPUBLIC OF RWANDA

RWANDA REVENUE AUTHORITY

P.O. BOX 3987 KIGALI

TAXES FOR GROWTH AND DEVELOPMENT

ANNUAL ACTIVITY REPORT

2018/19

OCTOBER 2019

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
AEO	Authorised Economic Operators
AIMS	Africa Institute for Mathematics Sciences
API	Application Programming Interface
ATAF	African Tax Administration Forum
BDF	Business Development Fund
BNR	Banque Nationale du Rwanda / National Bank of Rwanda
CAT	Certified Accountant Technicians
CIF	Cost Insurance and Freight
CIPD	Certified International Personnel Development
CIT	Corporate Income Tax
CMU	Carnegie Mellon University
CPA	Certified Public Accountants
CSD	Customs Services Department
DFID	Department for International Development
DLP	Data Loss Prevention
DWH&BI	Data Warehouse, Risk Management and Business Intelligence System
EAC	East African Community
EARA	East Africa Revenue Authorities
EBM	Electronic Billing Machine
EBM V.2	Electronic Billing Machine Version Two
EDCL	Energy Development Corporation Limited
ESW	Electronic Single Window
EU	European Union
EUCL	Energy Utility Corporation Limited
FOB	Free on Board
Frw	Currency symbol for the Rwandan Francs
G&S	Goods and Services
GDP	Gross Domestic Product
GIS	Geographic Information System
GIZ	German Development Agency
HMRC	Her Majesty Revenue & Customs
HR	Human Resources
HS	Harmonised System
ICDL	International Computer Driving License
ICPAR	Institute of Certified Public Accountants of Rwanda
ICT	Information Communication Technology
ICTD	International Center for tax and Development
IFMIS	Integrated Financial Management Information System
IGC	International Growth Center
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISIC	International Standard Industrial Classification
ISMS	Information Security Management System
ISO	International Standard Organisation
JICA	Japanese International Cooperation Agency

KOICA	Korea International Cooperation Agency
LG	Local Government
LGMT	Local Government Tax Management system
LTO	Large Taxpayers Office
MINECOFIN	Ministry of Finance and Economic Planning
NEC	National Electoral Commission
NGO	Non-Governmental Organisation
NISR	National Institute of Statistics of Rwanda
OAG	Office of Auditor General of Rwanda
ODI	Overseas Development Institute
OS	Operating System
OTA	United states Treasury – Office of Technical Assistance
PAYE	Pay As You Earn
PIT	Personal Income Tax
PMP	Project management Professional
PSF	Private Sector Federation
PSI	Policy Support Instrument
QMS	Quality Management System
RDB	Rwanda Development Board
RDF	Rwanda Defense Force
RI&ED	Revenue Investigation and Enforcement Department
RINEX	Rwanda Internet Exchange
RISA	Rwanda Information Society Authority
ROI	Return on Investment
RRA	Rwanda Revenue Authority
RTDA	Rwanda Transport Development Agency
RURA	Rwanda Utilities Regulatory Authority
RWAFFA	Rwanda Freight Forwarders Association
SARS	South African Revenue Service
SDC	Sales Data Controller
SIGTAS	Standard Integrated Government Tax Administration System
SMS	Short Message Service
SMT	Senior Management Team
SMTO	Small and Medium Taxpayers Office
TAC	Tax Advisory Council
TADAT	Tax Administration Diagnostic Assessment Tool
TMEA	Trade Mark East Africa
TVR	Television of Rwanda
VAT	Value Added Tax
V-SDC	Virtual Sales Data Controller
WCO-ESA ROCB	World Customs Organisation East and Southern Africa Regional office for Capacity Building
WHT	Withholding Tax

FOREWORD BY THE CHAIRPERSON OF THE BOARD OF DIRECTORS

As Chairman of the Board of Directors, I am proud to present the RRA annual activity report for fiscal year 2018/19. This report provides a detailed analysis of the revenue collections and briefly describes other major activities accomplished within the fiscal year 2018/19. Through dedication and determination, RRA achieved the revenue targets laid out for 2018/19.

In 2018/19 RRA celebrated 20 years of existence. Over the last two decades, critical achievements have been registered which contribute to its success today. Tax revenue collections have increased from Frw 62.8 billion in 1998 to Frw 1,399.5 billion in 2018/19 fiscal year. In most of these years, RRA has achieved and surpassed its revenue targets. Not only has the tax revenue base increased, but its share to the national GDP has also improved, moving from 10% in 1998 to 16.3% in 2018/19. The continued improvement to the current tax-to-GDP ratio of 16.3% is evidence of RRA's commitment to its mandate and responsibilities. We strongly believe that the ambition demonstrated over these years continues to build a foundation for future gains.

The Board of Directors is grateful to all RRA for their efforts towards achieving the key strategic priorities, and hopes that this RRA Annual Activity Report will reassure and encourage them that these efforts have real and visible benefits to the nation.

I would like to express my gratitude and appreciation to the Management Team, all staff and stakeholders for their efforts and contribution to the recorded performance of this fiscal year. I am confident that with a united front, we will continue this momentum going forward.

MURANGWA Yusuf
Chairperson of RRA Board of Directors

FOREWORD BY THE COMMISSIONER GENERAL

It is with great pleasure that I share with you the RRA Annual Activity Report for 2018/19 fiscal year. It was another successful year in which RRA achieved its revenue targets and implemented key priorities as outlined in our 2018/19 Action Plan.

Total revenue collection (tax and non-tax, excluding local government collections) amounted to Frw 1,422.9 billion against a target of Frw 1,392.1 billion. This is an achievement of 102.2%, or Frw 30.8 billion in excess of the target. Local Government Taxes and Fees collections totalled Frw 60.6 billion, an achievement of 100.8% of the Frw 60.1 billion target, or a surplus of Frw 0.5 billion.

Various initiatives were undertaken in an effort to increase revenue and improve service delivery. These include, among others, monitoring of non-filers and non-payers, extending EBM V.2 to more taxpayers and implementation of VAT output validation controls. In addition, partnerships with the private sector in taxpayer sensitization campaigns were rolled out to encouraging voluntary compliance.

The achievements registered and challenges encountered informed the 2019-2024 RRA Strategic Plan. The plan primarily identifies areas that will enable RRA continuously improve customers' perception and involvement to improve compliance. These are key elements where we will exert more effort to improve on our performance and the delivery of our mandate.

I would like to express my appreciation to the Government of Rwanda and RRA Board of Directors for the support and strategic guidance extended to the authority in helping us overcome the challenges in our path. I must also express my sincere appreciation to all patriotic taxpayers who, by meeting their tax obligations honestly and timely, play a central role in supporting our country's growth and development agenda. Finally, I would like to extend my gratitude to RRA staff for the dedication and commitment to making the fiscal year 2018/19 another success story.

BIZIMANA RUGANINTWALI Pascal
Commissioner General

EXECUTIVE SUMMARY

In 2018/19 fiscal year, the Rwandan economy was projected to grow by 7.5% and data released by the NISR showed a year-on-year growth of 9.5%. Inflation was forecast at 2.1% and the recorded rate was lower, averaging 0.8% over fiscal year 2018/19.

The total revenue collection (tax and non-tax, excluding local government collections) amounted to Frw 1,422.9 billion against the target of Frw 1,392.1 billion. This is an achievement of 102.2%, or Frw 30.8 billion over the target.

Local Government taxes and fees collections totalled Frw 60.6 billion, an achievement of 100.8% of the Frw 60.1 billion target, or a surplus of Frw 0.5 billion. This represents year-on-year growth of 12.7% and a nominal increase of Frw 6.8 billion.

With regard to administrative measures, the total number of taxpayers increased to 193,962; a year-on-year growth of 12.1% and newly registered taxpayers contributed Frw 13.3 billion. Tax audit cases concluded by domestic tax department were 9,240 including desk audits, raising additional assessment (principals only) of Frw 24.3 billion before appeals. The customs services department completed 128 post-clearance audit cases with additional assessment of Frw 1.4 billion. One hundred ninety-six (196) tax investigation cases were finalised, with an additional tax assessment of Frw 4.2 billion. Total recovery of tax arrears amounted to Frw 90.4 billion (Frw 45.7 billion from DTD and Frw 44.7 billion from CSD).

Improvement was made in usage of the Electronic Billing Machines. As of end June 2019, **20,987** registered taxpayers had EBMs, annual growth of 18.8% and the number of EBM invoices issued recorded a year-on-year growth of 8.7%. In addition, the number of taxpayers having EBM V.2 increased to 6,286 from 2,960 as of end June 2018.

Great efforts have been made to improve service delivery and enhance tax compliance. These include, among others, intensification of tax education and information programs, monitoring of non-filers and non-payers, extending EBM V.2 to more taxpayers, implementation of VAT output validation controls, implementation of system controls to pre-fill income tax quarterly prepayment,

enhancement of local government tax management system and integration of geographical information system, and further progress towards enhancement of Electronic Single Window System.

A number of activities were performed by RRA in order to enhance the sustainability and security of IT systems, strengthen human resources management, internal control systems and skills capacity.

Based on the total expenditure, RRA registered a cost collection ratio of 3.3% (including capital expenditure). This ratio was 3.2% considering recurrent expenditure only.

RRA continues to face the challenges of low compliance culture within some taxpayers and insufficient allocated budget to clear VAT refund backlog.

RRA expects to maintain good records it registered in previous years. This will require staff commitment and refocusing attention on key strategic areas that impact on revenue performance. RRA will follow-through with the implementation of action plan 2019/20 and strategic plan 2019/20-2023/24 to enable achieve the set targets.

I. REVENUE PERFORMANCE FOR 2018/19 FISCAL YEAR

The **total revenue collection** (both tax and non-tax, excluding local government collections) for 2018/19 fiscal year amounted to **Frw 1,422.9 billion** against the target of **Frw 1,392.1 billion** which is an achievement of **102.2%**, and an excess of **Frw 30.8 billion** above the target.

Tax revenue collection for 2018/19 fiscal year was **Frw 1,399.5 billion** while the target was **Frw 1,373.1 billion**; this is an achievement of **101.9%**, and **Frw 26.2 billion** above the target. Compared to **Frw 1,234.1 billion** collected in 2017/18 fiscal year, additional revenue of **Frw 165.4 billion** was collected (or a growth of **13.4%).**

Non-tax revenue collected by RRA during 2018/19 fiscal year amounted to **Frw 23.4 billion** compared to the target of **Frw 19.0 billion**, performing at **123.0%.** Compared to the 2017/18 fiscal year, the non-tax revenue collected was **Frw 5.3 billion** higher, representing 29.0% growth.

Local Government (LG) taxes and fees collections totalled **Frw 60.6 billion**, meaning an achievement of **100.8%** of the **Frw 60.1 billion** target and a surplus of **Frw 0.5 billion**. This represents year-on-year growth of **12.7%** and a nominal increase of **Frw 6.8 billion**. Details are shown in **Table 1**.

Table 1: RRA revenue performance against targets for 2018/19 fiscal year (billion Frw)

Categories of tax	Target 2018/19	Actual 2018/19	Variance	Performance rate	Actual 2017/18	Growth in 2018/19	Nominal increase
Total revenue	**1,392.1**	**1,422.9**	**30.8**	**102.2%**	**1,252.3**	**13.6%**	**170.7**
Non-tax revenue	19.0	23.4	4.4	*123.0%*	18.2	*29.0%*	5.3
Total tax revenue	**1,373.1**	**1,399.5**	**26.4**	**101.9%**	**1,234.1**	**13.4%**	**165.4**
* Direct taxes	*578.8*	*597.7*	18.9	*103.3%*	*519.9*	*15.0%*	*77.9*
* Taxes on G & S	*684.9*	*690.0*	5.1	*100.8%*	*616.1*	*12.0%*	*73.9*
* Taxes on Int'l Trade	*109.4*	*111.7*	2.4	*102.2%*	*98.1*	*13.9%*	*13.6*
LGT	**60.1**	**60.6**	**0.5**	**100.8%**	**53.8**	**12.7%**	**6.8**

Source: RRA, 2019

In terms of the trend analysis for the period of July to June for the last five years, the net revenue collections have consistently grown. This is shown in **Figure 1** below. When the quarterly decomposition is considered, performance was particularly strong in Q4, as shown in **Figure 2**.

Figure 1: Trend analysis of net revenue collection from 2014/15 to 2018/19

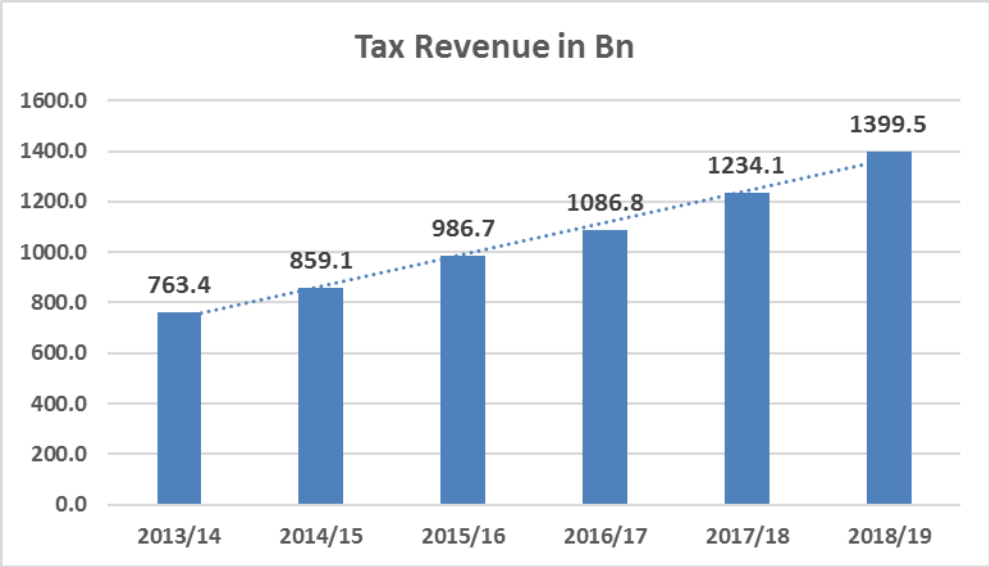
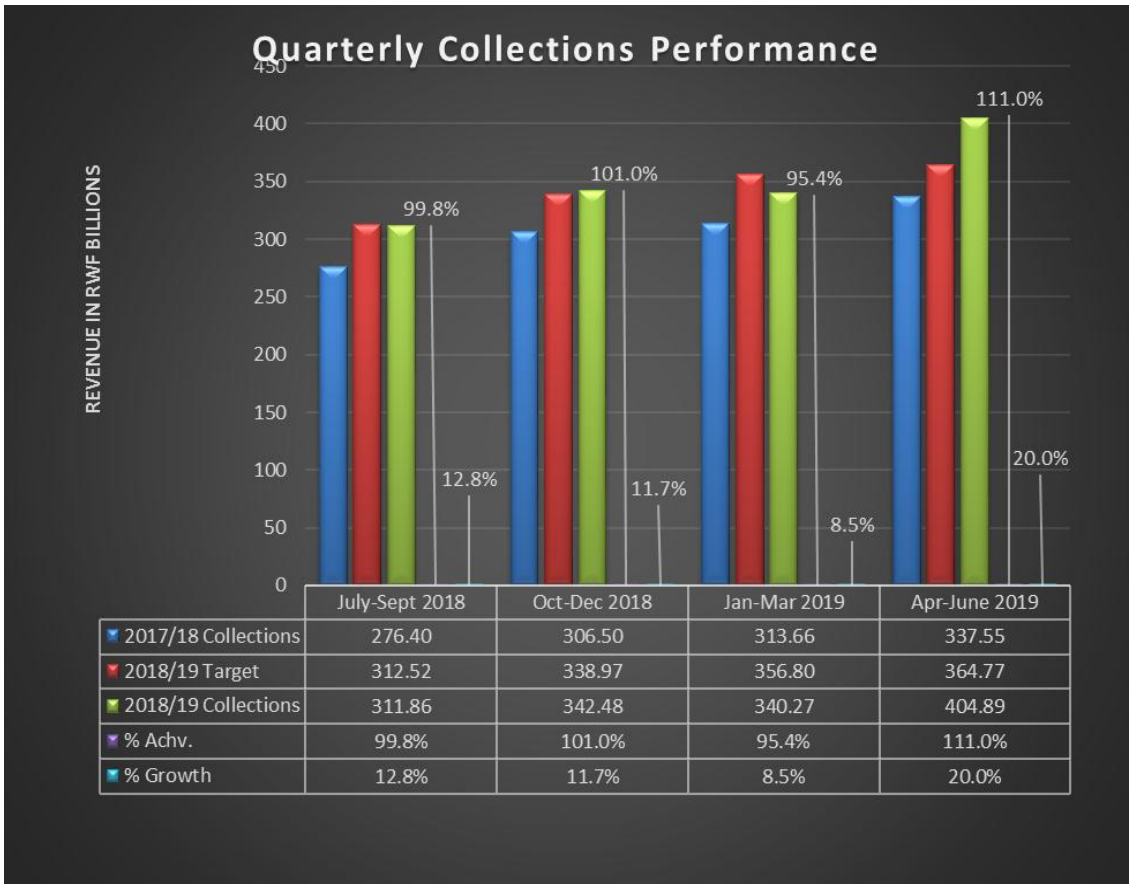


Figure 2: Quarterly tax revenue performance



	July-Sept 2018	Oct-Dec 2018	Jan-Mar 2019	Apr-June 2019
2017/18 Collections	276.40	306.50	313.66	337.55
2018/19 Target	312.52	338.97	356.80	364.77
2018/19 Collections	311.86	342.48	340.27	404.89
% Achv.	99.8%	101.0%	95.4%	111.0%
% Growth	12.8%	11.7%	8.5%	20.0%

I.1 MAIN FACTORS THAT AFFECTED REVENUE PERFORMANCE

Nominal tax revenue grew by **13.4%** in 2018/19 fiscal year, similar the 13.5% recorded in 2017/18 fiscal year and above the 12.8% average growth realised in the last three fiscal years. This growth was affected by the following factors:

a) Economic environment for 2018/19 fiscal year

The tax revenue target for 2018/19 fiscal year was predicated on a macro-economic framework outlined in the Policy Support Instrument (PSI). However, the macroeconomic environment varied from these projections:

i) The economy was projected to grow by **7.5%** during 2018/19 fiscal year and the data released by the National Institute of Statistics of Rwanda shows a year-on-year growth of **9.5%**.

ii) Inflation was forecast at 2.1% for 2018/19 fiscal year; the recorded rate was lower, inflation averaged 0.8% over 2018/19 fiscal year.

iii) The value of imports was forecast to grow by **16.3%** in Rwandan Francs for 2018/19, but it grew by **16.9%** over 2018/19[1] .

- This compares to an increase of 11.5% in 2017/18 fiscal year. In total, CIF on imports increased by **Frw 246.1 billion** to **Frw 1,652.2 billion** from **Frw 1,406.1 billion** in the previous fiscal year. This growth was driven by goods coming from outside the EAC, which grew by **Frw 217.8 billion** (20.3%) compared to an increase of **Frw 28.3 billion** from inside the EAC (8.3% growth). This has contributed to the strong 101.9% achievement rate at customs collections, an excess of **Frw 2.1 billion** on the annual target.

- This slower EAC import growth rate is largely because imports from Uganda fell significantly, by **Frw 36.1 billion** (23.0% decrease) when compared to 2017/18 fiscal year. Although this has not yet affected revenue collections, disruptions at the border continue to be a threat to revenue collection if it undermines key sectors in the economy.

[1] RRA system data or imports for home consumption

b) High public spending in 2018/19 (especially in June 2019) compared to June of 2017/18 led to the good performance of withholding taxes (WHT 3% on public tenders and WHT VAT on public supply).

c) **PAYE** recorded good performance in 2018/19 fiscal year (growth of **13.0%** compared to **9.3%** for last fiscal year) due to the following factors:

i) Some companies increased their salaries; other gave bonuses.

ii) New companies with a significant contribution of 1.2 billion in 2018/19 fiscal year.

d) **Profit taxes (CIT/PIT)** recorded a low performance in 2018/19 fiscal year: In addition to a very low inflation recorded in 2018, some companies decreased their CIT payments. The year-on-year decreases were observed in the following sectors: Public Administration and Defence (**Frw 0.27 billion decrease**); Real Estate Activities (**Frw 0.18 billion decrease**); Manufacturing (**Frw 0.1 billion decrease**) and; Arts, Entertainment and Recreation (**Frw 0.07 billion decrease**).

e) **Total net VAT** recorded a good performance (led by **VAT on imports** which surpassed the target by **Frw 4.4 billion** and **domestic VAT** recorded an excess of **Frw 2.9 billion**) but low growth compared to the last year growth and the average of **20.4%** and **14.0%** respectively. This low growth of domestic VAT was attributed to:

i) Lower than projected inflation leading to slightly lower turnover growth (14.5% for 2018/19 Vs 18.3% for 2017/18).

ii) Growth in non-taxable sales (led by increasing level of exempt sales)

iii) Increase in VAT input claims (partly influenced by high value of VAT paid in customs).

f) Good performance **in excise dut**y collection is highly correlated to the good performance of the agriculture sector. As less money is spent on food, more money is available for people to spend on non-necessity goods and luxury goods, which contribute a greater amount to excise collections. Since the agricultural sector performed well within the fiscal year, there was more expenditure available to households for excisable products.

g) **Import duty:** Good performance was attributed to higher growth of CIF Value (16.9% in 2018/19 fiscal year compared to 11.5% in 2017/18 fiscal year.

h) **Local government revenue collection** was adversely affected by the new property tax law. The change in legislation moved some payments expected in June 2019 to December 2019. For this reason, there was no fixed asset tax collected in this fiscal year (1 billion targeted in June that will fall into the next fiscal year).

I.2 TAX REVENUE PERFORMANCE BY TAX HEADS

Analysis on tax revenue performance for 2018/19 fiscal year by tax head is shown in **Table 2**.

Table 2: Tax revenue performance by tax heads (value in billions of Frw)

Tax heads	Target 2018/19	Actual 2018/19	Variance	% Achievement	Actual 2017/18	% Change	Nominal increase
PAYE	310.2	320.8	10.7	103.4%	281.7	13.9%	39.2
PROFIT TAX (CIT,PIT & WHT)	266.1	274.4	8.3	103.1%	235.9	16.3%	38.6
VAT	453.0	458.7	5.7	101.3%	405.7	13.1%	53.0
Imports	146.4	150.8	4.4	103.0%	130.8	15.3%	20.1
Local	306.6	307.9	1.3	100.4%	274.9	12.0%	33.0
EXCISE	164.0	164.9	0.9	100.5%	147.8	11.6%	17.1
Imports	80.8	80.6	-0.2	99.7%	74.1	8.8%	6.5
Local	83.2	84.3	1.1	101.4%	73.8	14.4%	10.6
MINING ROYALTIES	5.5	4.7	-0.8	85.8%	4.9	-3.3%	-0.2
IMPORT DUTY	90.0	90.4	0.5	100.5%	80.9	11.8%	9.6
ROAD FUND	51.6	50.7	-0.9	98.2%	47.5	6.7%	3.2
STRATEGIC RESERVES LEVY	10.7	10.9	0.3	102.4%	10.2	7.3%	0.7
INFRASTR. DEV. LEVY	12.9	13.0	0.2	101.3%	11.4	13.8%	1.6
OTHER TAXES	9.1	10.8	1.7	118.1%	8.2	32.0%	2.61
TOTAL TAX	**1,373.1**	**1,399.5**	**26.4**	**101.9%**	**1,234.1**	**13.4%**	**165.4**

Source: RRA, 2019

The major revenue heads that surpassed targets were PAYE, VAT, excise, import duty and other customs taxes (including infrastructure development levy and strategic reserve petroleum levy). This performance was associated with the good performance of the economy, moderated inflation and increment of salaries for some big institutions as highlighted earlier.

On the other hand, there was underperformance for profit tax (CIT and PIT), mining royalties and road fund. Low Performance for CIT and PIT was due to:

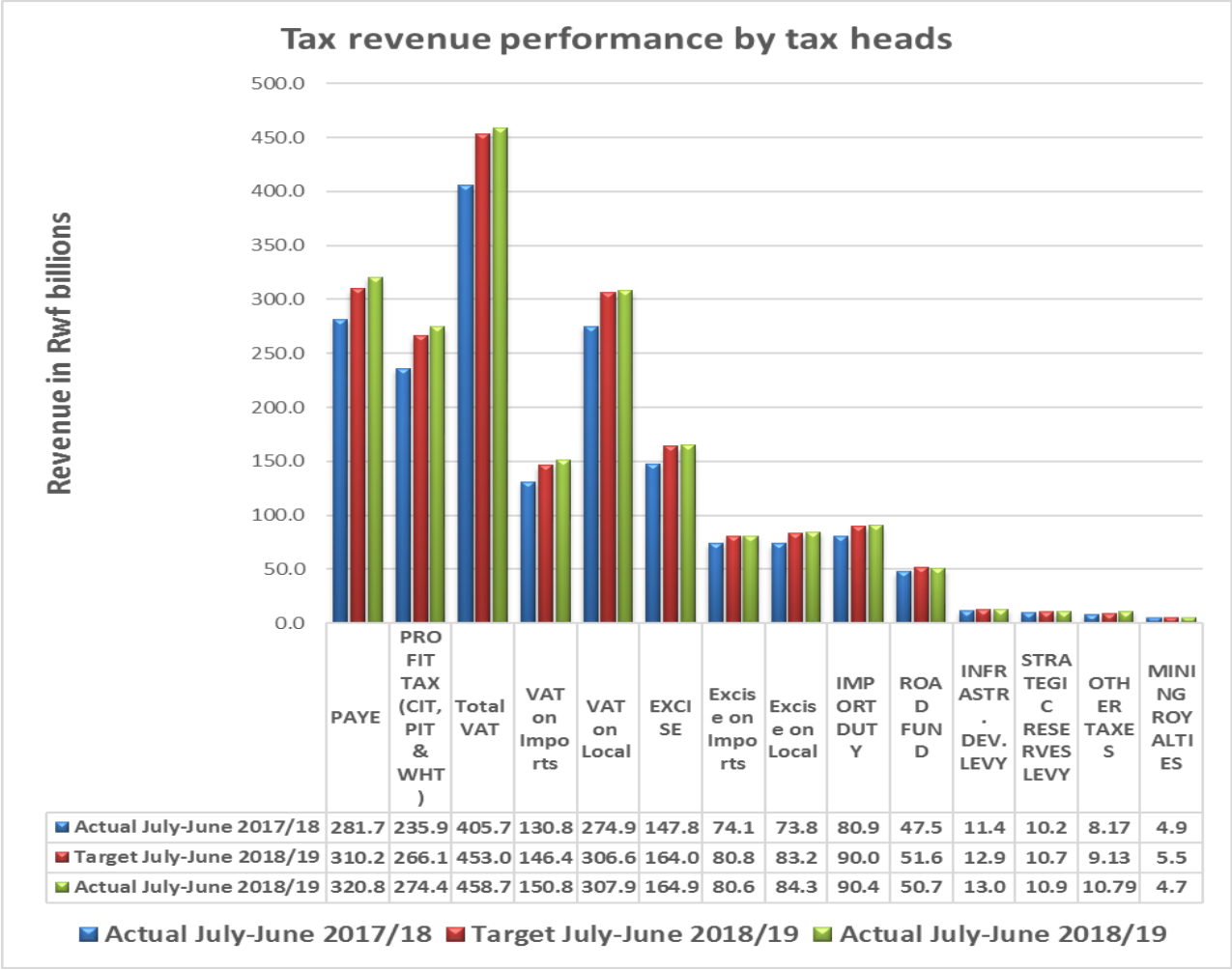
- The year-on-year decreases which were observed in the following sectors: Public Administration and Defence (**Frw 0.27 billion decrease**); Real Estate Activities (**Frw 0.18 billion decrease**); Manufacturing (**Frw 0.1 billion decrease**) and; Arts, Entertainment and Recreation (**Frw0 .07 billion decrease**).

- Very low inflation 0.8% Vs 2.1% forecast; affected turnovers for 2018/19 fiscal year and CIT declarations of March 2019, which were in nominal terms.

The low achievement of road fund was due to low growth rate of local petroleum consumption which was attributed to the decrease in the use of fuel energy replaced by one from hydropower plants.

The following bar graph shows collections for 2018/19 and 2017/18 fiscal years, and the 2018/19 targets for each tax head.

Figure 3: Tax revenue performance by tax heads



	PAYE	PROFIT TAX (CIT, PIT & WHT)	Total VAT	VAT on Imports	VAT on Local	EXCISE	Excise on Imports	Excise on Local	IMPORT DUTY	ROAD FUND	INFRASTR. DEV. LEVY	STRATEGIC RESERVES LEVY	OTHER TAXES	MINING ROYALTIES
Actual July-June 2017/18	281.7	235.9	405.7	130.8	274.9	147.8	74.1	73.8	80.9	47.5	11.4	10.2	8.17	4.9
Target July-June 2018/19	310.2	266.1	453.0	146.4	306.6	164.0	80.8	83.2	90.0	51.6	12.9	10.7	9.13	5.5
Actual July-June 2018/19	320.8	274.4	458.7	150.8	307.9	164.9	80.6	84.3	90.4	50.7	13.0	10.9	10.79	4.7

In the following sections, revenue performance for each of the broad categories of taxes and for each of tax heads is explained in more details.

I.2.1 DIRECT TAXES

In summary, direct taxes for the 2018/19 fiscal year performed at **103.3%**, which represented a surplus of **Frw 18.9 billion**, a nominal increase of **Frw 77.9 billion** and growth rate of **15.0%** when compared with 2017/2018 fiscal year. Further breakdown of indirect taxes is given below:

I.2.1.1 Profit taxes (CIT, PIT and WHT)

The total profit tax collection for CIT, PIT & WHT in 2018/19 fiscal year was **Frw 274.4 billion** while the target was **Frw 266.1 billion**, resulting in a surplus of **Frw 8.3 billion** against the target and an achievement rate of **103.1%.** Overall profit tax collections grew by **16.3%** with a nominal increase of **Frw 38.6 billion** when compared with 2017/18 fiscal year.

i) Corporate Income Tax (CIT) and Personal Income Tax (PIT)

Corporate Income Tax (CIT) and Personal Income Tax (PIT) recorded a combined performance of **92.2%** with a shortfall of **Frw 12.6 billion** when compared with the target of **Frw 108.6 billion** for 2018/19 fiscal year. Furthermore, CIT-PIT collections grew by **7.1%**, which is lower than the average growth for the previous three fiscal years of 17.2%. This poor performance in **CIT** and **PIT** was mainly due to:

- The year-on-year decreases were observed in the following sectors: Public Administration and Defence (**Frw 0.27 billion decrease**); Real Estate Activities (**Frw 0.18 billion decrease**); Manufacturing (**Frw 0.1 billion decrease**) and; Arts, Entertainment and Recreation (**Frw 0.07 billion decrease**).

- On another hand, some sectors saw large increases: Wholesale and Retail Trade (**Frw 3.0 billion**); Other service activities (**Frw 1.89 billion**) and Financial and Insurance activities (**Frw 1.88 billion**).

- Lower than projected inflation lead to slightly lower turnover's growth (14.5% July- June 2018/19 Vs 18.3% July-June 2017/18).

- This fiscal year, the last day to abide by provisions of the tax legislation for income tax (30th June 2019) fell on a weekend (Sunday). Consequently, taxpayers had the right to pay income tax on next working day, which was 2nd July 2019. This resulted in **Frw 3.6 billion** of CIT and PIT being paid on the 1st and 2nd July 2019 (another fiscal year).

ii) Withholding taxes (15%, 3% and 5%):

In FY 2018/19, **WHT** collections totalled **Frw 174.3 billion**, against a target of **Frw 157.5 billion**, a surplus of **Frw 16.8 billion** and achievement of **110.7%**. Compared with FY 2017/18, WHT grew by **22.4%**, a nominal increase of **Frw 31.9 billion.** This is higher than the growth of **15.9%** recorded for the average of three previous years and the projected growth of **10.6%.** The over performance was caused by some institutions which highly increased compared to the last year.

Nine major institutions recorded additional payments above 1 billion each for 3% WHT and 15% WHT combined; these institutions deal directly in the supply of public services to citizens in Rwanda.

The above-mentioned nine cases alone contributed to **Frw 31.0 billion** to the total increase of payments for WHT (3% and 15%) recorded in 2018/19 fiscal year compared to the amounts paid in FY 2017/18.

I.2.1.2 Pay As You Earn (PAYE)

PAYE for 2018/19 fiscal year amounted to **Frw 320.8 billion** against a target of **Frw 310.2 billion**, an excess of **Frw 10.6 billion** on the target and achievement of **103.4%.** Compared with 2017/18 fiscal year, PAYE tax collections grew by **13.9%** while the average growth realized in the last three fiscal years was **11.1%.** Some companies increased their salaries, while others paid bonuses. These payments were made by public and financial institutions.

I.2.1.1 Tax on property

Collections for tax on property for 2018/19 fiscal year reached **Frw 2.5 billion** against a target of **Frw 2.6 billion**, meaning a deficit of **Frw 0.1 billion** on the target and achievement of **96.7%.** Compared to 2017/18 fiscal year, tax on property had a nominal increase of **Frw 0.1 billion** and a growth of **5.6%**.

I.2.2 TAXES ON GOODS AND SERVICES

Taxes on goods and services in FY 2018/19 performed at **100.8%**, registering an excess of **Frw 5.1 billion**, and realising a growth rate of **12.0%** compared with the projected growth of **11.2%**. Details of the performance of taxes on goods and services are provided below.

I.2.2.1 Excise taxes

Revenue from excise duty amounted to **Frw 164.9 billion** against a target of **Frw 164.0 billion**. Collections were **100.5%** of the target despite growing by **11.6%** from the **Frw 147.8 billion** collected in 2017/18 fiscal year. Excise duty on fuel and on beer were the major contributors to this tax head, with a contribution of 35% each. **Table 3, Figure 4** and **Figure 5** illustrate the performance by product and the relative contributions of each product.

Table 3: Excise duty collections by product

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2017/18 Growth	FY 2018/19 Growth
Total Excise duty (Domestic and Customs)	**134.18**	**147.92**	**164.94**	**10.2%**	**11.6%**
Excise duty on Beers	44.74	51.13	57.41	14.3%	12.3%
Excise duty on Soft Drinks	11.07	12.35	13.78	11.5%	11.6%
Excise duty on Wines &Liquor	5.59	7.07	8.68	26.6%	22.7%
Excise duty on Petroleum Products	49.16	52.63	57.95	7.1%	10.1%
Excise duty on Cigarettes	8.14	9.68	10.70	18.9%	10.5%
Excise duty on Vehicles	4.72	4.13	4.18	-12.5%	1.3%
Excise duty on Milk	0.10	0.07	0.07	-31.9%	12.4%
Excise duty on local Airtime	10.66	10.85	12.17	1.9%	12.1%

Source: RRA, 2019

Figure 4: Excise performance by product

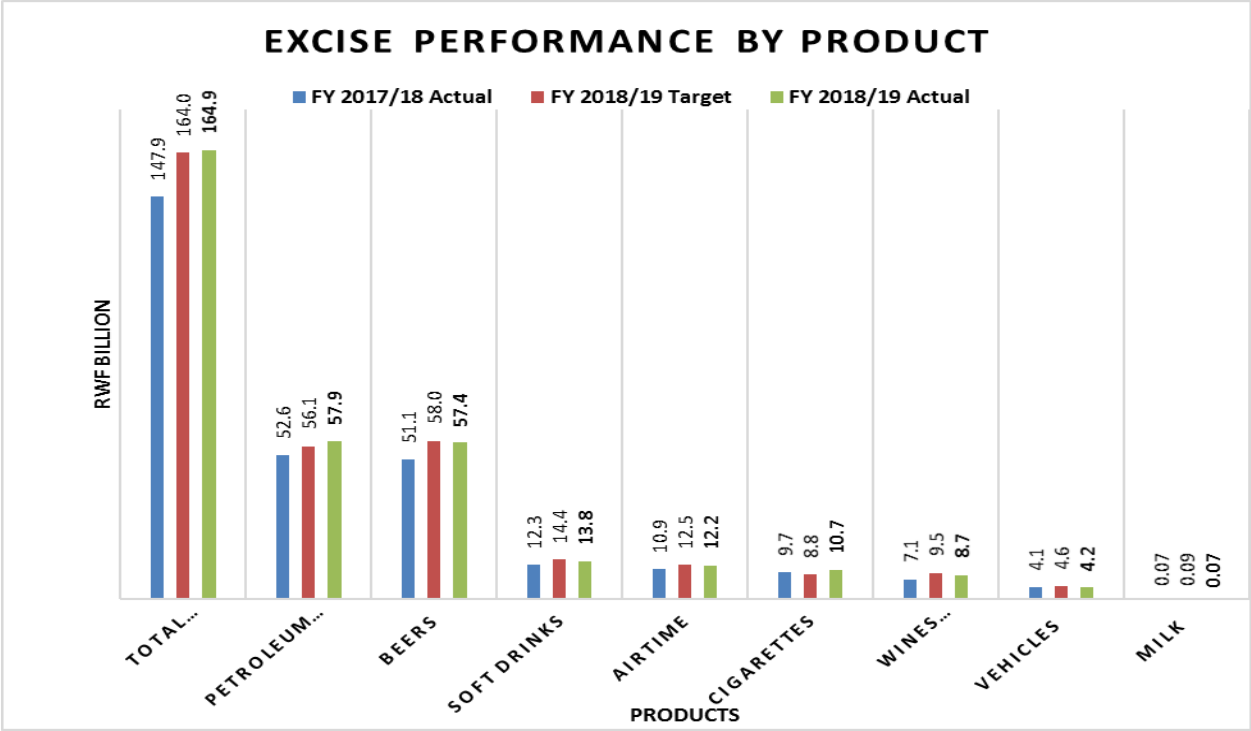
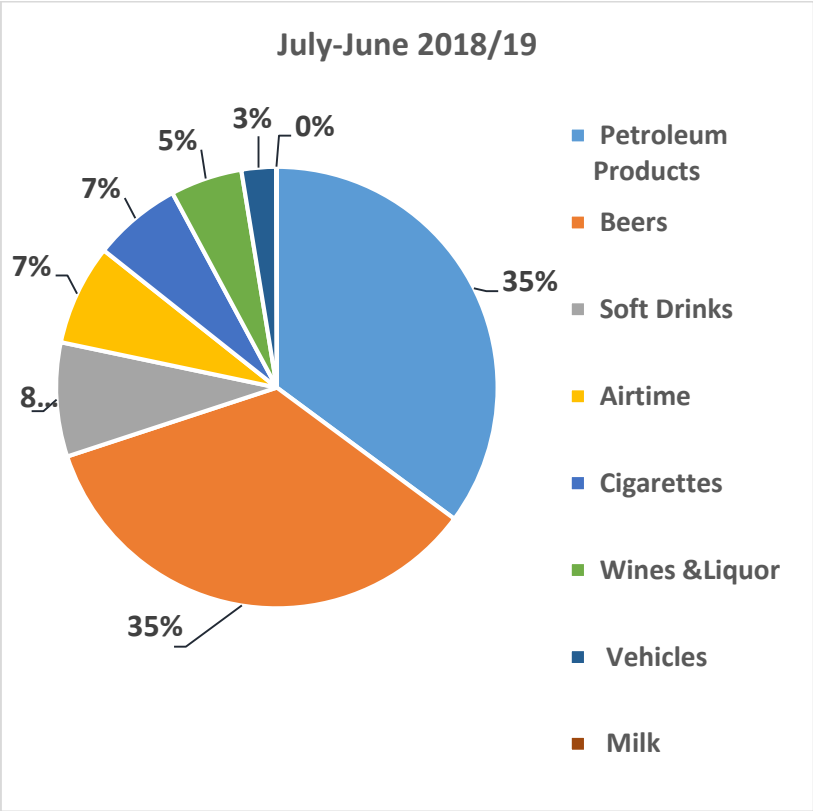


Figure 5: Percentage share of excise by products



A. Domestic excise taxes

Domestic excise taxes for 2018/19 fiscal year totalled **Frw 84.3 billion**, recording an excess of **Frw 1 billion** over the set target of **Frw 83.3 billion**. This is an achievement of **101.4%** and a growth of **14.4%**, which is above the projected growth of **12.8%.**

B. Excise taxes on imports

Excise taxes on imports totalled **Frw 80.6 billion**, recording a shortfall of **0.2 billion** on the target (**Frw 80.8 billion**) and registering an achievement of **99.7%** and growth of **8.8%** which is below the projected growth of **9.1%.**

B.1 Excise taxes on petroleum products

Excise taxes on petroleum products collections for 2018/19 fiscal year totalled **Frw 57.9 billion** against a target of **Frw 56.1 billion;** this is an achievement of **103.3%** (an excess of **Frw 1.8 billion**). A growth of **10.1%** (nominal increase of **Frw 5.3 billion)** was realised, compared to **6.6%** growth that was projected.

B.2 Excise taxes on beers

Excise taxes on beer collections for 2018/19 fiscal year totalled **Frw 57.4 billion** against a target of **Frw 58.0 billion;** this is an achievement of **98.9%** and a growth of **12.3%** (nominal increase of **Frw 6.3 billion)** compared to **13.5%** growth that was projected.

B.3 Excise taxes on soft drinks

Excise taxes on soft drinks collections for 2018/19 fiscal year totalled **Frw 13.8 billion** against a target of **Frw 14.4 billion;** this is an achievement of **95.4%** (a shortfall of **Frw 0.6 billion**). A growth of **11.6%** (nominal increase of **Frw 1.4 billion)** was realised, compared to **16.9%** growth that was projected.

B.4 Excise taxes on airtime

Excise taxes on airtime collections for 2018/19 fiscal year totalled **Frw 12.2 billion** against a target of **Frw 12.5 billion;** this is an achievement of **97.5%** (a shortfall of **Frw 0.3 billion**). A growth rate of **12.1%** (nominal increase of **Frw 1.3 billion)** was realised, compared to **14.9%** growth that was projected.

B.5 Excise taxes on cigarettes

Excise taxes on cigarettes collections for 2018/19 fiscal year totalled **Frw 10.7 billion** against a target of **Frw 8.8 billion;** this is an achievement of **121.6%** (an excess of **Frw 1.9 billion**). A growth of **10.5%** (nominal increase of **Frw 1.0 billion)** was realised, compared to **9.1%** decrease that was projected.

B.6 Excise taxes on wines and liquors

Excise taxes on wines and liquors collections for 2018/19 fiscal year totalled **Frw 8.7 billion** against a target of **Frw 9.5 billion;** this is an achievement of **91.2%** (a shortfall of **Frw 0.8 billion**). A growth of **22.7%** (nominal increase of **Frw 1.5 billion)** was realised, compared to **26.6%** growth that was realised last year.

B.7 Excise taxes on vehicles

Excise taxes on vehicles collections for 2018/19 fiscal year totalled **Frw 4.2 billion** against a target of **Frw 4.6 billion;** this is an achievement of **90.8%** (a shortfall of **Frw 0.4 billion**). A growth of **1.3%** (nominal increase of **Frw 1.6 billion)** was realised, compared to **11.6%** growth that was projected.

I.2.2.2 Net VAT Collections

Net VAT collections for 2018/19 fiscal year totalled **Frw 460.3 billion** against a target of **Frw 453.0 billion;** this is an achievement of **101.6%** (an excess of **Frw 7.3 billion**). A growth of **13.5%** (nominal increase of **Frw 54.6billion)** was realised, compared to a projected growth of **11.7%**.

A. Domestic VAT collection

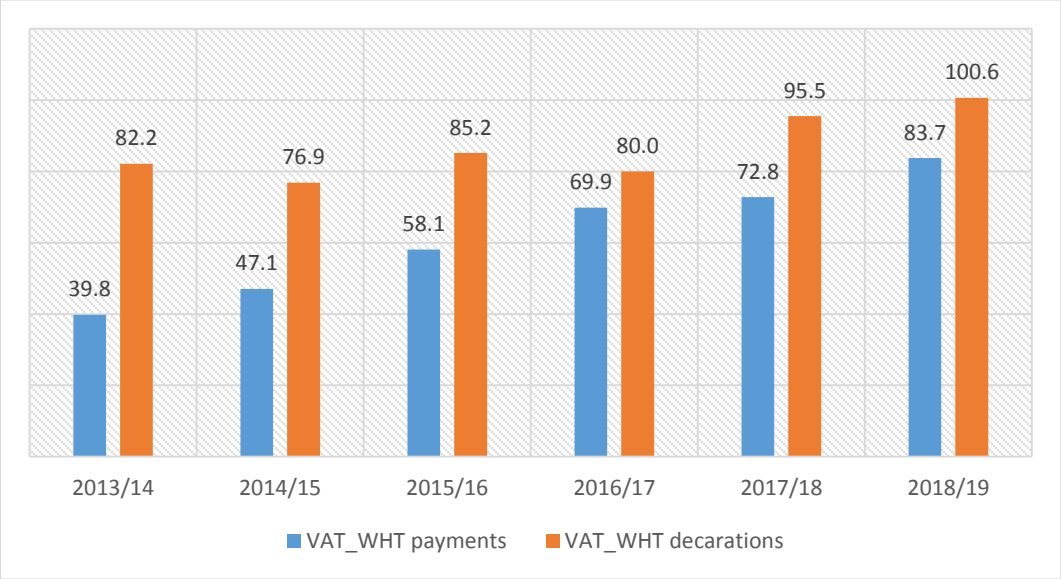
Domestic VAT collection for 2018/19 fiscal year totalled **Frw 309.4 billion** against a target of **Frw 306.6 billion,** registering an achievement of **100.9%**, with an excess of **Frw 2.8 billion** to the target**.** Compared to the previous fiscal year, domestic VAT has grown by **12.6%**, which is above the projected growth of **11.5%**, but below the average growth of **14.0%** for the last three fiscal years.

The main reasons behind the performance of VAT during 2018/19 fiscal year are explained below:

A.1 Good performance of VAT withholding collections

In FY 2018/19, VAT withholding payments by public institutions performed well compared to the previous fiscal year (2017/18), payments increased to **Frw 83.7 billion** up from **72.8 billion** as shown in **Figure 6**. This is mainly a result of increased payments from; EDCL (increased by **Frw 4.5 billion)**, RTDA (increased by **Frw 4.0 billion),** RISA **(**increased by **Frw 1.5 billion**), and RDB (increase by **Frw 1.1 billion**).

Figure 6: VAT Withholding declarations and payments for 2018/19 fiscal year (in Frw billion)



A.2 Solid VAT turnover growth

Although VAT turnover growth slightly declined from **18.3%** in 2017/18 to **14.5%** in 2018/19, the growth still represents a strong performance by the tax head. By sector (1 digit ISIC), major decline was from industry which declined from **18.9%** in FY 2017/18 to **14.0%** in FY 2018/19. However, overall, service sector grew by **17%** in FY 2018/19, higher than the **10.5%** growth registered in FY2017/18. This increase was mainly from:

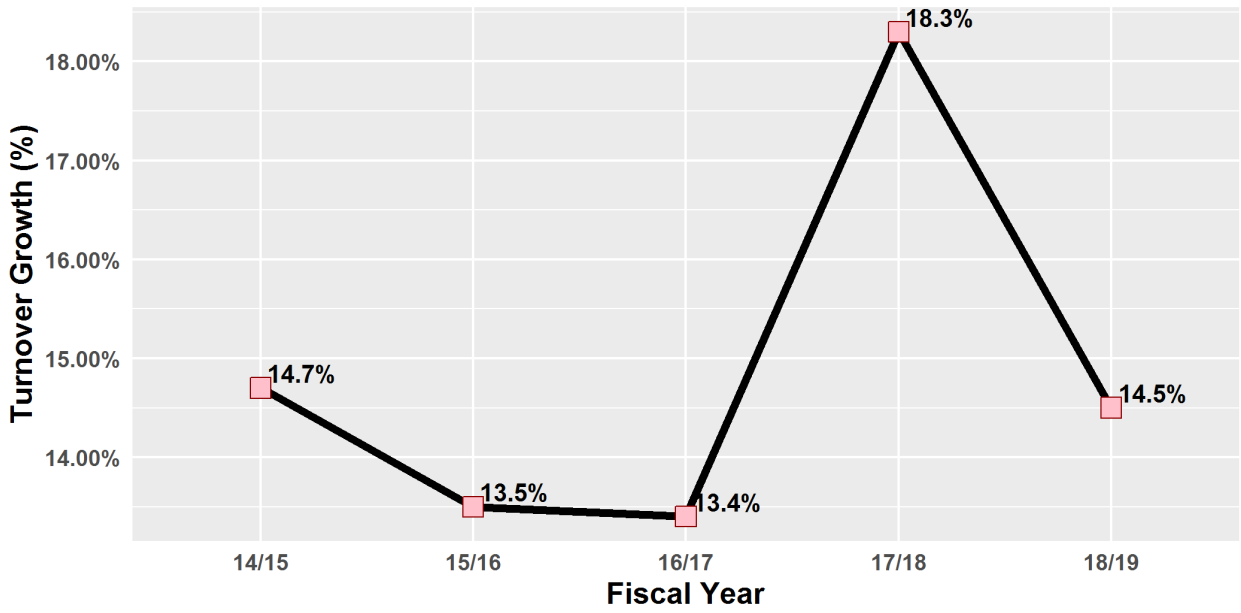
i) ***Other service activities*** (increase in turnover of **Frw 187.7 billion** for FY 2018/19 vs. **Frw 139.7 billion** for FY 2017/18). The majority of these companies are not given a classified activity upon registration, and therefore it is difficult to ascertain what sector most of these companies operate in. Continued monitoring by the taxpayer registry and incorporation of their classifications in the RRA Data Warehouse continues to address this shortcoming.

ii) ***Wholesale and retail trade*** (increase in turnover up to **Frw 370.1 billion** for FY 2018/19 from **Frw 176.2 billion** for FY 2017/18). Petroleum traders are behind this increase, top 4 of them increased by **Frw 205.6 billion.** As well as other 2 companies in business of food distribution that increased their turnovers by **Frw 52.3 billion**.

iii) ***Transportation and Storage*** **(**increased in turnover by **Frw 62.9 billion** for FY 2018/19 vs **Frw 54.8 billion** for 2017/18). This was driven mainly by 2 companies with **Frw 59.6 billion** increase.

iv) ***Financial and Insurance Services (***increase in turnover up to **Frw 57.8 billion** for FY 2018/19 vs **Frw 42.4 billion** for 2017/18). This was driven by growth of **Frw102.8 billion** for top 3 banks.

Figure 7: VAT turnover growth for July-June



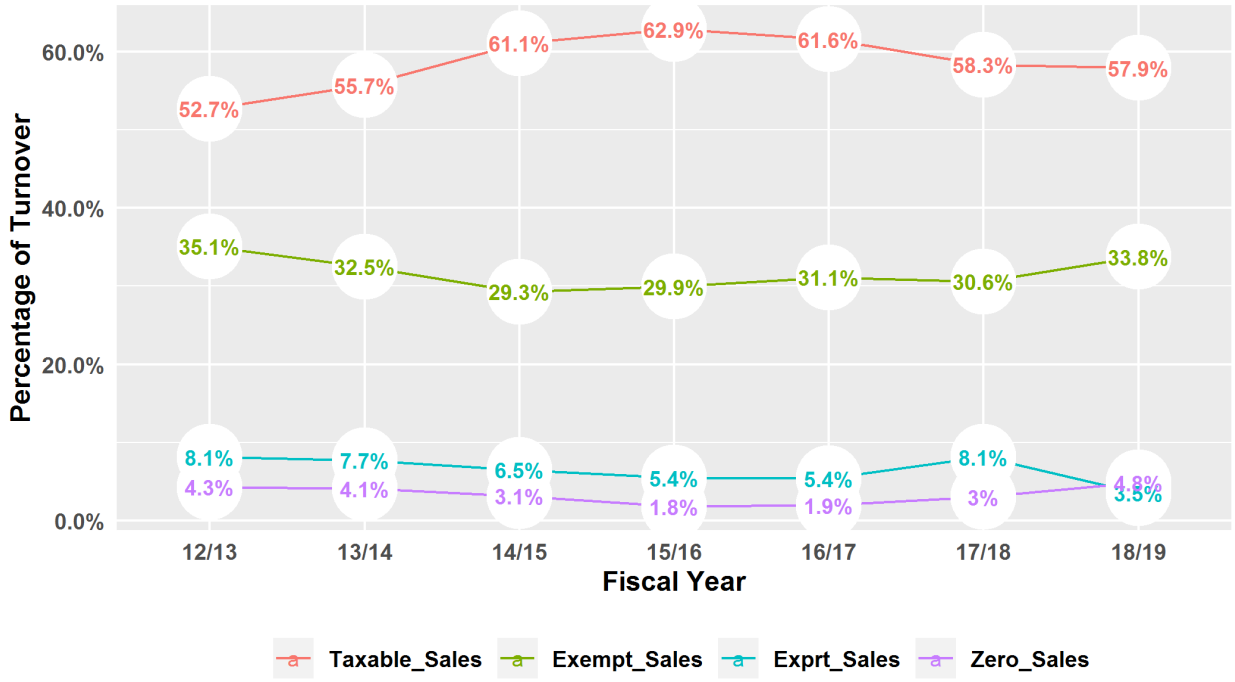
A.3 Growth of non-taxable sales

The continued growth of non-taxable sales provides a genuine threat to VAT performance going forward, especially if VAT turnover growth continues to slowdown. The FY 2018/19 VAT turnover growth was **14.5%** (compared to **15.0%** average in the last four previous fiscal years), while exempted sales grew by **31.0%** (compared to **21.2%** in 2017/18 fiscal year). This has driven a reduction in taxable sales as a percentage of turnover, as seen in **Figure 7**, from **58.3%** in 2017/18 fiscal year to **57.9%** in 2018/19 fiscal year.

One reason for the growth in exempted sales is the continued growth of petroleum companies, as well as the high turnover growth by the financial sector– all of which are largely exempt from VAT.

We also saw **growth in zero-rated sales** which grew by Frw**134.0 billion (77.5%** nominal growth) compared to FY 2017/18. This is primarily driven by construction companies, which recorded turnover of **Frw 30.4 billion** in FY 2018/19, of which **95%** was zero-rated. In addition, companies in manufacturing sector recorded turnover of Frw **30.7 billion** of which **60.6%** was zero-rated. **Figure 8** shows taxable and non-taxable sales as percentage of turnovers.

Figure 8: Taxable and non-taxable sales as a percentage of turnovers

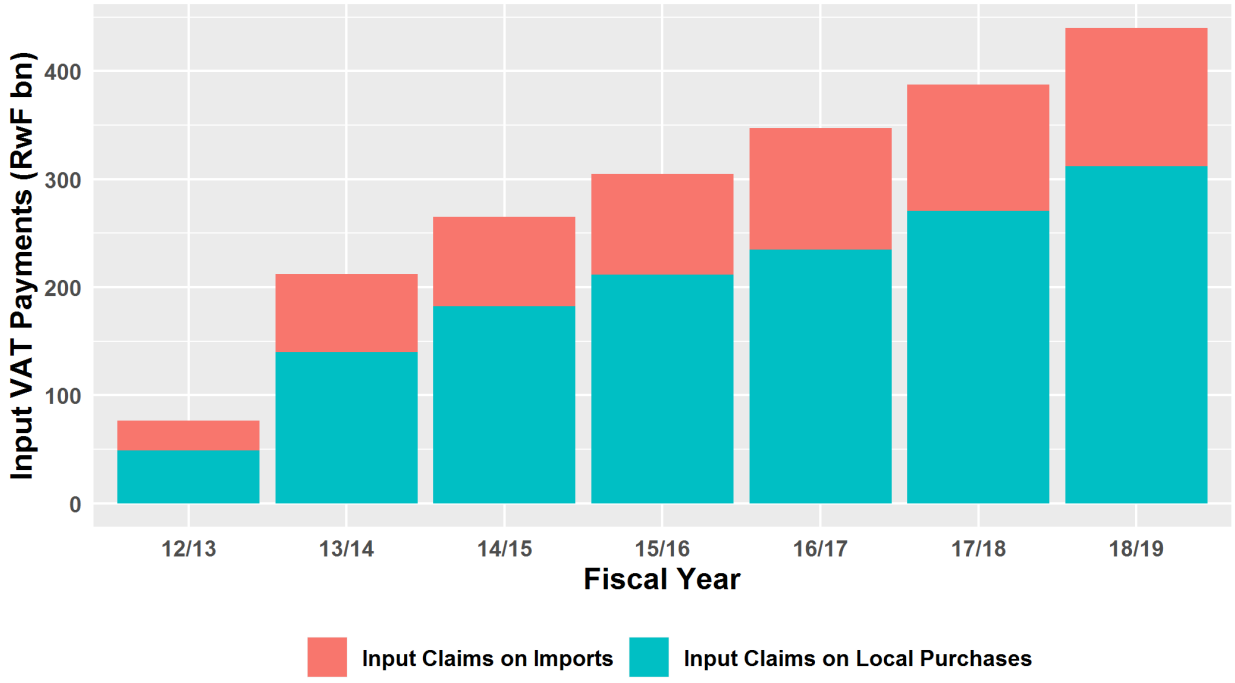


A. 4 Strong input VAT claims growth

VAT on inputs increased by **21.8%** in FY 2018/19 after slower growth of **11.6%** for FY 2017/18 as shown in **Figure 9.** The growth rate is higher for local input purchases (**16.3%**) compared to VAT claims on imported inputs (**9.1%**).

Strong input VAT claims growth could be an indication that the claims processing system is functioning better, which would encourage more taxpayers to conduct their business formally and pay taxes on it.

Figure 9: Input VAT claims



A. 5 VAT Due

VAT due (incl. VAT Withholding) increased most for "*other service sectors"* (**Frw 14.6 billion**) compared to FY 2017/18. This was associated with an increase in turnover (by 14.5% compared to previous FY), of which taxable sales formed at **57.9%**, exempt sales accounted for **33.8%** and zero-rated accounted for **4.8%**.

B. VAT collections on imports

VAT collections on imports totalled **150.8 billion** in 2018/19 fiscal year compared to a target of **146.4 billion**. This meant an **excess of 3.0% (4.4 billion)** i.e. an achievement rate of 103.0%**.** There was an increase of **15.3%** (equivalent to Frw 20.0 billion) when compared with FY2017/18; while the average growth realised in the last three fiscal years was **9.5%.** This growth was on a base of 16.9% growth in CIF as explained in the section related to international trade taxes.

I.2.2.3 Road Maintenance Fund

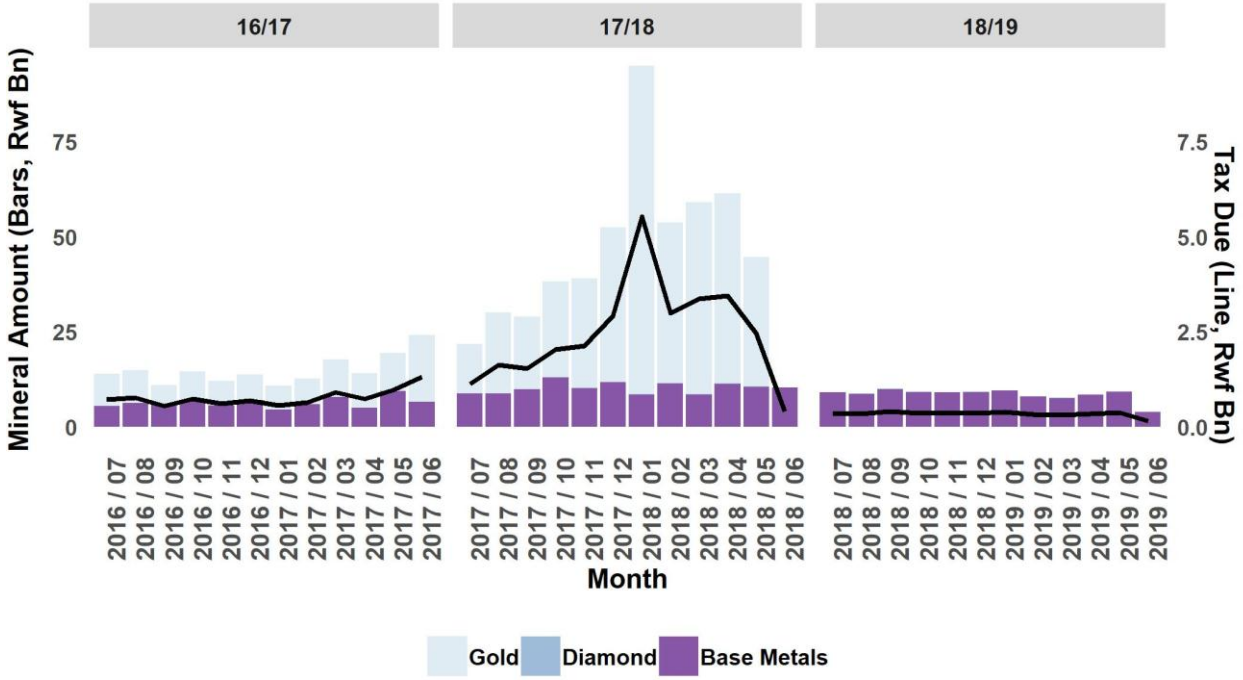
Road maintenance fund collections totalled **Frw 50.7 billion** against a target of **Frw 51.6 billion**, registering an achievement of **98.2%** and recorded a growth of **6.7%** which was below the

projected growth of **8.7%.** This underperformance was mainly attributed to the reduced imports of petroleum by EUCL in line with the gradual replacement of fuel energy by other source of energy (mostly hydropower energy).

I.2.2.4 Mining Royalties

Revenue collection from mining royalties amounted to **Frw 4.7 billion** against a target of **Frw 5.5 billion**; an achievement of **85.8%.** Compared to 2017/18 fiscal year, this was a decrease of 3.3%, which was lower than the 2017/18 fiscal year growth of **46.2%** and the average growth of the previous last years of **15.4%.** The reasons for this decline are indicated in **Figure 10** below, showing a drop in gold and base metal declarations in the 2018/19.

Figure 10: Mining Declarations by Month, 2016/17 – 2018/19 fiscal years



I.2.2.5 Strategic Reserves Levy[2]

Revenue collection from Strategic Reserves Levy totalled **Frw 10.9 billion,** recording an excess of **Frw 0.2 billion** over the target of **Frw 10.7 billion**, with an achievement of **102.4%** and an increase of **7.3%**.

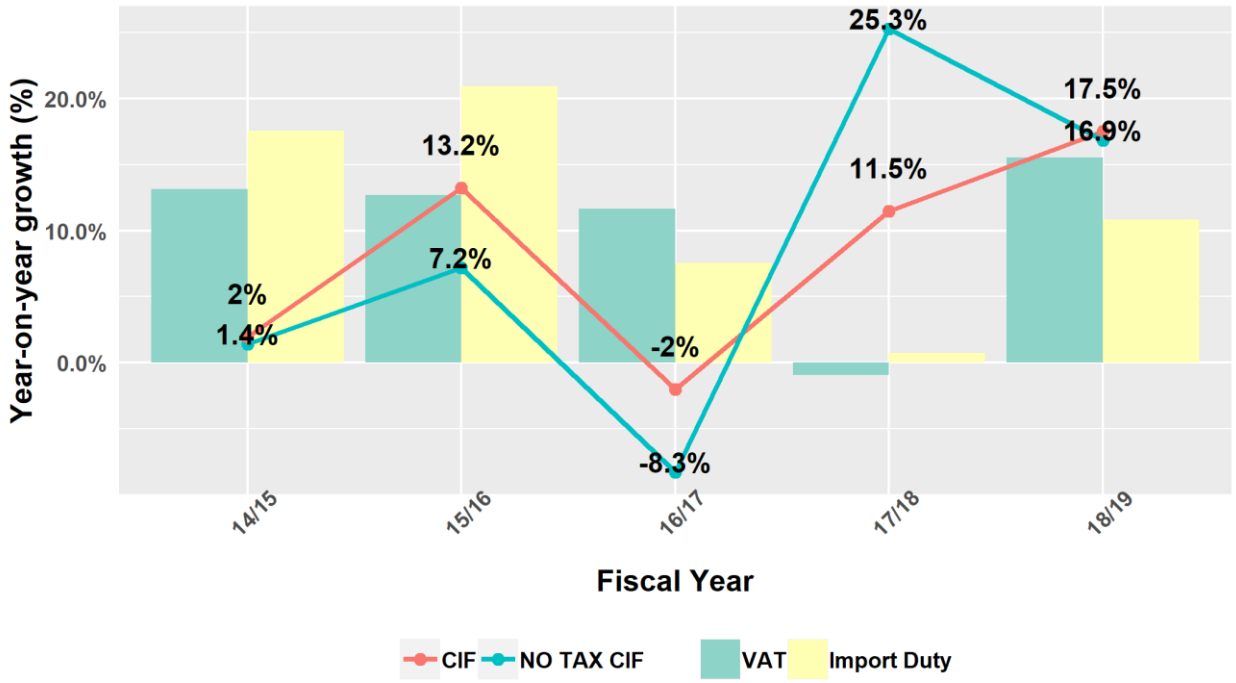
[2] The Strategic Reserves Levy is taxed based on the number of the litres delivered, and the rate is Frw 32 per litre.

I.2.3 TAXES ON INTERNATIONAL TRADE

Collections from international trade taxes (composed of import duty, infrastructure development levy, African union levy and other customs fees) totalled **Frw 111.7 billion** in 2018/19 fiscal year, achieving **102.1%** of the **Frw 109.4 billion** target and representing growth of **13.9%** compared to 2017/18 fiscal year.

Import CIF, excluding petroleum products, increased by 16.9% in 2018/19 fiscal year compared to 2017/18. This was a further increase on the previous fiscal year, which recorded a growth rate of 11.5% (see **Figure 14**).

Figure 14: Growth in import taxes and CIF (July-June)



I.2.3.1 Import duty collections

Import duty collections increased by **11.8% (Frw 4.4 billion)** to reach **Frw 90.4 billion** in FY 2018/19. This was **Frw 0.5 billion** above the target, resulting in an achievement rate of **100.5%.** The performance of import duty was accounted for by a broader base of products, with motor cars, structures and tubes or pipes each contributing between **Frw 1.0 billion** and **Frw 2.0 billion** to the increase in import duty collected between 2017/18 and 2018/19 fiscal years.

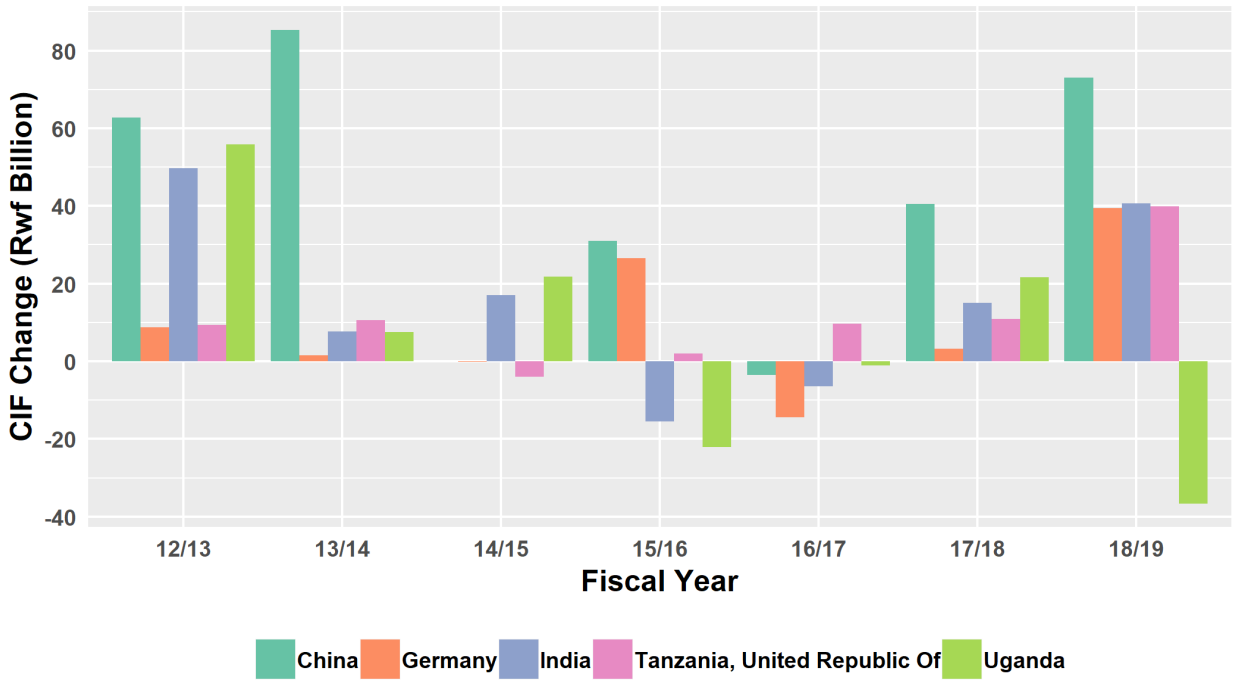
Import duty collections from rice fell by **Frw 2.6 billion,** although the total value of rice imported continued to increase. The reason for this is that more rice came from within the EAC. Rice imports from within the EAC grew by **Frw 8.1 billion** and rice imports from outside the EAC fell by **Frw 6.5 billion.** The result of this import substitution was that less import duty was collected, as imports from within the EAC do not attract the customs duty.

2018/19 also witnessed a recovery in the growth rate of customs VAT and import duty declarations of 15.2% and 10.4%, respectively. In particular, declared taxes through VAT and import duty recovered after the collapse in FY 2017/18. **Figure 15** shows that there was a non-taxed import growth of 25.3% in 2017/18, which slowed to a growth rate of 17.5% in 2018/19.

The products which do not declare taxes at entry to Rwanda are constant across years and include telephones, medicaments, wheat, muslin and iron. These products are driving the difference between the trends in CIF and the trend in VAT and import duty declaration.

Despite strong CIF growth in total, there was significant decreases from some countries. **Figure 15** displays the change in CIF every year, up to 2018/19 fiscal year. It shows that there has been a large increase in imports from China (**Frw 72 billion)** and significant increase in imports from Germany (**Frw 39 billion)**, India (**Frw 40.1 billion**) and Tanzania (**Frw 39 billion**) in FY 2018/19 compared to FY 2017/18. These were accompanied by a large drop in imports from Uganda (**Frw 36.1 billion**). In the last quarter, imports from Uganda amounted to approximately 2% of the value imported in the same period of the previous fiscal year.

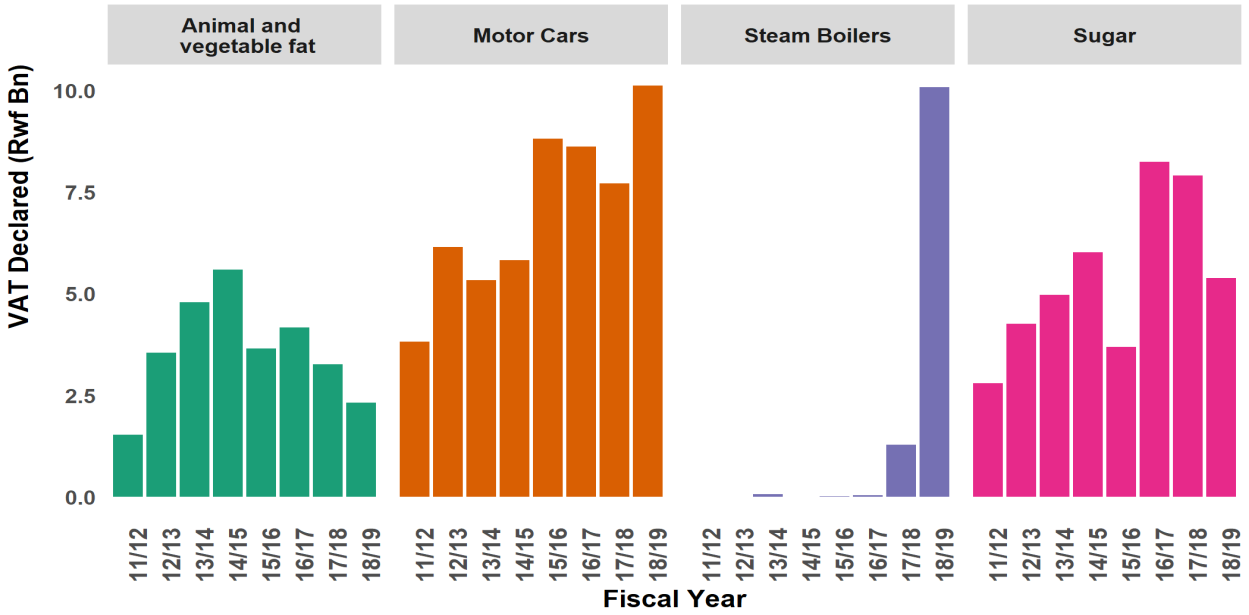
Figure 15: CIF Change by Country (FY 2018/19)



The figure 15 highlights that in this fiscal year, imports from outside of the EAC grew faster than those from within the EAC. Import CIF from outside the EAC grew by 20.3% (Frw 217.8 billion increase) while imports from inside the EAC grew at 8.5% (Frw 28.3 billion increase). This is predominantly caused by the decline in imports from Uganda.

The decline in imports from the EAC region also had a substantial impact on the type of imports that are coming into Rwanda. **Figure 16** shows that Sugar, Animal and Vegetable Fat, two items which previously came from Uganda, had substantially lower VAT declarations at import. Compared to the FY 2017/18, VAT declarations for Sugar and Fats are **Frw 2.5 billion** and **Frw 0.94 billion** lower, respectively. By contrast, steam boilers and cars account for the largest increase in VAT declared, increasing by **Frw 8.8 billion** and **Frw 2.4 billion** when compared to the previous fiscal year, respectively.

Figure 16: Largest HS Code changes in Customs VAT Declared (July 2018 – June 2019)



I.2.3.2 Infrastructure Development Levy

Collections for infrastructure development levy totalled **Frw 13.01 billion,** recording a surplus of **Frw 0.16 billion** above the target of **Frw 12.85 billion**, with an achievement of **101.3%** and a growth rate of **13.8%.** There are various exempted products for this levy but which have been in place since the levy's launch and therefore not affected performance. These exemptions are for fertilisers and seeds, live animals, medicine and pharmaceutical products, medical equipment, mosquito nets, industrial machinery and equipment for energy and water sectors, and goods for investment projects with investment certificates.

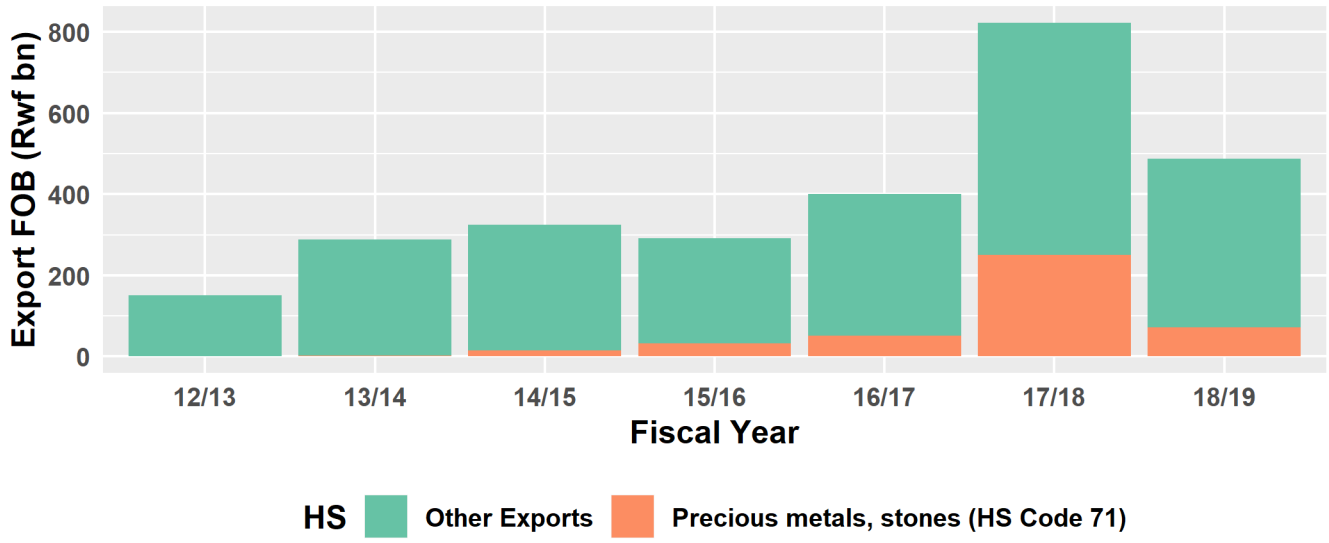
I.2.3.3 African Union Import Levy

In FY 2018/19, African union levy collections totalled **Frw 1.71 billion** against a target of **Frw 1.70 billion**; recording an excess of Frw 5 million over the target, with an achievement of **100.3%**. The levy is applied at a rate of 0.2% of import CIF for financing African Union activities and it does not apply to goods exempted under relevant laws.

I.2.3.4 Exports analysis

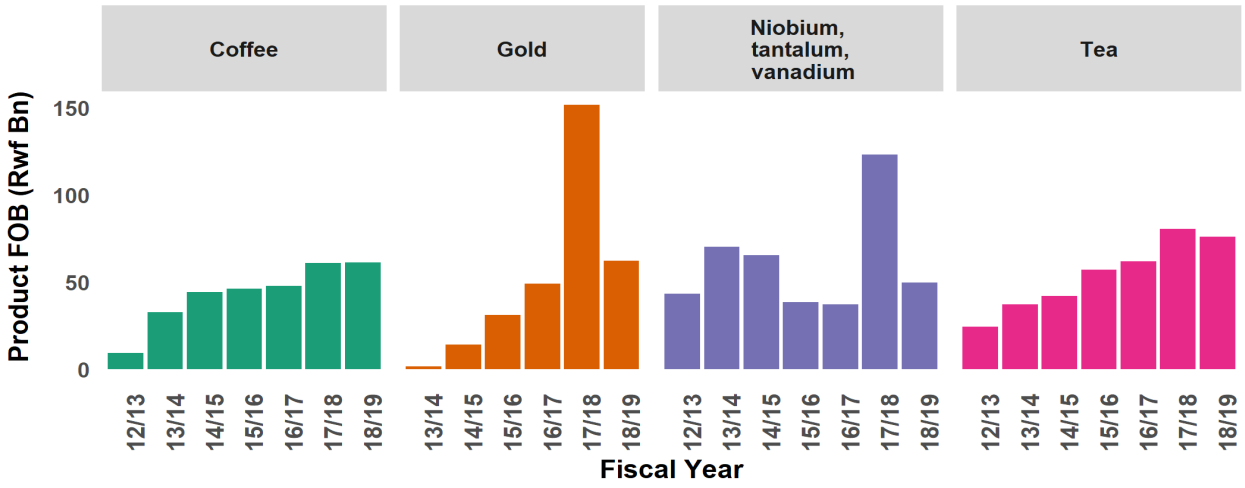
Exports fell by **40.8%** in FY 2018/19 compared to 2017/18, as displayed in **Figure 17.** The majority of the increase in export FOB in FY2017/18 was accounted for by the mining sector which is a highly volatile sector. In 2017/18, precious metals and stones accounted for 30.5% of all exports, compared to only 14.6% in FY 2018/19. When precious metals and stones are excluded from the analysis, exports **fell by 27.1%** relative to 2017/18 and **increased by 20%** relative to 2016/17.

Figure 17: Exports, precious metals and others (20 12/13 – 2018/19)



The volatility in mining exports is also evident in **Figure 18** below, which shows how both gold and niobium, tantalum and vanadium all fell in export FOB. However, other major export crops such as tea and coffee also did not show strong growth in FY 2018/19. Tea exports fell by **Frw 4.5 billion** when compared to 2017/18, while coffee exported **Frw 0.5 billion** more than in FY 2017/18.

Figure 18: Main HS Code exports (20 12/13 – 2018/19)



II. ADMINISTRATIVE MEASURES THAT SUPPORTED REVENUE TARGET ACHIEVEMENT

Throughout 2018/19, RRA continued to implement various administrative measures in order to enhance revenue collection and achieve the target. Key administrative measures included:

II.1 WIDEN THE TAX BASE THROUGH TAXPAYER REGISTRATION

Activities aimed at widening the tax base through taxpayer registration were carried out. The following strategies were used to identify new taxpayers to be registered during 2018/19:

a) Carried out field visits and sector registration: field visits and sensitisation of taxpayers for registration focused on the following categories of business – providers of event management activities (wedding ceremonies, decoration businesses, gardens and houses for entertainment and ceremonies,..), private secondary schools, nursery and primary schools, bars and beverage sellers, garage owners and spare parts sellers, hair salon owners, real estates and brokerage, commercial houses, local bottle beer producers and bakeries.

b) Use of third party information: RRA worked with Rwanda Development Board (through system interface), Private Sector Federation, Rwanda Government Board (to avail a list of NGOs), Rwanda Public Procurement Authority (through system interface), Rwanda Academy of Language and Culture (for getting a list of artists); in order to identify those who are eligible but not registered on domestic taxes.

c) Through internal IT systems, used data matching and identified potential taxpayers to be registered for income tax and VAT.

As a result of the above strategies, sensitization on taxpayer registration as well as voluntary registration, the number of new registered taxpayers during FY2018/19 was **21,135**. Newly registered taxpayers for different tax types contributed **Frw 13.25 billion** in 2018/19 as indicated in **Table 4** below.

Table 4: The tax contribution of newly registered taxpayers in 2018/19

Tax Type	Number of newly registered taxpayers on tax type, who paid domestic tax in 2018/19 [3]	Domestic tax paid by newly registered taxpayers in 2018/19 (billion Frw)	Total domestic tax paid by all domestic registered taxpayers in 2018/19 (billion Frw)	% contribution of tax paid by new registered taxpayers to total domestic tax paid in 2018/19
PAYE	1,599	4.55	320.82	1.4%
Profit Tax	1,003	0.14	100.11	0.1%
Excise	39	0.44	84.35	0.5%
VAT	1,557	5.33	307.87	1.7%
WHT on Public Supplies (other than VAT)	157	0.06	78.09	0.1%
Other WHT	922	2.73	96.22	2.8%
Total		**13.25**	**987.46**	**1.3%**

Source: RRA, 2019

In addition, as a result of taxpayers' registration activities mentioned above, the total number of taxpayers in the RRA tax register increased to **193,962** as of end June 2019. This represents a year-on-year growth of **12.1%** from the **172,988** registered taxpayers as of end June 2018. However, **2,635** taxpayers were deregistered during 2018/19 fiscal year subsequent to their request.

[3] Include taxpayers who registered, paid, and subsequently deregistered in the same reporting fiscal year. Includes also those who registered to a new tax type, but are not entirely new taxpayers (ex. They have recently registered for VAT, although they have been PAYE registered for some time).

Of the current taxpayers in the tax registry, **375** are categorised as **large taxpayers** (0.2% of the total); **845** are **medium taxpayers** (0.4% of the total) and **192,742** are **small or micro taxpayers** (99.4% of the total).

Regarding the percentage contribution of each category of taxpayers to total tax collection, large taxpayers contributed **59.8%**, medium taxpayers' contribution was **11.1%**, while small taxpayers contributed **29.1%**.

In addition, **17,936** vehicles were newly registered during the 2018/19 fiscal year. This represents a year-on-year increase of 24.7% from the 14,381 that were newly registered in 2017/18 fiscal year. The cumulative number of vehicles registered in the RRA system by the end of the 2018/19 fiscal year was **213,718**[4] from 179,799 by end of the 2017/18 fiscal year.

II.2 TAX AUDITS AND POST-CLEARANCE AUDITS

II.2.1 Small and Medium Taxpayers Office and RRA Provinces

During the 2018/19 fiscal year, total tax audits concluded by Small and Medium Taxpayer Office (SMTO) in Kigali were 116 (49 comprehensive and 67 issue audits) against 200 planned. In addition, 7,696 desk audit cases were conducted by SMTO.

The initial tax declared by all these cases totalled Frw 2.86 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 15.5 billion, an additional assessment of Frw **12.6 billion**. The average tax declared by all audited SMTO taxpayers including desk audit cases amounted to **15.6%** of the total re-assessed tax (principal only, before appeals).

RRA domestic tax offices in Provinces completed 112 tax audit cases (32 comprehensive and 80 issue audits) against 300 that were planned. In addition, 1,004 desk audit cases were conducted and completed by tax offices in Provinces.

The initial tax declared by all these cases concluded by domestic tax offices in Provinces totalled Frw 1.3 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 3.7 billion, an additional assessment of Frw **2.4 billion**. The average tax declared by all audited

[4] This may include vehicles that are no longer on the road and have not yet returned their number plates to the RRA.

taxpayers in Provinces including desk audit cases amounted to **35.7%** of the total re-assessed tax (principals only, before appeals).

The performance of tax audit in SMTO and Provinces was hindered by special assignment that called all tax auditors to suspend comprehensive tax audits and focus on refund audit of VAT backlog from May to September 2018.

II.2.2 Large Taxpayers Office

Out of 110 tax audit cases that were planned by large taxpayers' office in 2018/19 fiscal year, 79 were completed (75 comprehensive and 4 issue audits). In addition, 233 desk audit cases were conducted by LTO.

The initial tax declared by all audited large taxpayers totalled Frw 139.2 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 148.5 billion, an additional assessment of Frw **9.3 billion**. The average tax declared by audited LTO taxpayers amounted to **93.7%** of the total re-assessed tax (principals only, before appeals).

II.2.3 Customs Services Department

Customs Services Department (CSD) completed 128 post-clearance audit cases against 134 planned. Also, 242 desk audit cases were conducted by CSD. The initial tax declared by all audited importers totalled Frw 80.7 billion. However, the re-assessed tax (principals only, after appeals) totalled Frw 82.1 billion, an additional assessment of Frw **1.4 billion**. The average tax declared by audited importers amounted to **98.3%** of the total re-assessed tax (principals only, after appeals).

II.3 COMBATING TAX EVASION

Revenue Investigation and Enforcement Department (RI&ED) completed 196 tax investigation cases (14 comprehensive-related cases, 175 immediate assessment cases, 2 rectification notes, 3 notification of fines and 4 customs investigation cases).

The initial tax paid by the investigated taxpayers totalled Frw 1.14 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 5.3 billion, an additional assessment of

Frw 4.16 billion. The average tax declared by investigated taxpayers amounted to 21.5% of the total re-assessed tax (principals only, before appeals).

Through intelligence operations, risk based operations were conducted against fraud both in Kigali and provinces and a range of un-customed goods were impounded. The top five smuggled goods in 2018/19 included used clothes, bitenge, liquors, used shoes and salsa. Tax amounting to Frw 1.9 billion was recovered through establishment of 8,009 statements of offences.

In addition, the Revenue Investigation and Enforcement Department carried out verifications and enforcement of EBM usage in Kigali and provinces through surprise checkpoints long the major routes.

Tax fraud is a serious offence and on conviction by the Court, a taxpayer may even be subject to imprisonment. In FY 2018/19, 33 tax fraud cases were forwarded to prosecution compared to 20 cases forwarded in 2017/18, of which 26 cases were submitted to Court and 7 were provisionally closed by Prosecution. Of the 26 cases submitted to Court by Prosecution, 9 cases were closed of which 8 were won by RRA (found guilty) and 1 case lost by RRA (the suspect was released). The remaining 17 cases were waiting for trial in substance.

II.4 RECOVERING TAX ARREARS

II.4.1 Domestic tax arrears

Enforcement of domestic tax arrears recovered Frw 45.7 billion. This represents a year-on-year decrease of 25.2% from the Frw 61.1 billion collected in FY 2017/18.

Out of the tax arrears collected in 2018/19, Frw 17.9 billion (39.2%) came from the large taxpayers; and Frw 27.8 billion (60.8%) from the small and medium taxpayers. Domestic tax arrears collected accounted for 4.7% of the total domestic tax revenue collections in the 2018/19 compared to 7.2% in 2017/18. The arrears collections by tax type are displayed in **Table 5** below.

Table 5: Domestic tax arrears collections by tax type, in billions of Frw

Tax Type	2018/19	2017/18	Variance	% change
VAT	17.5	27.8	-10.3	-37.0%
INCOME TAX	7.0	14.3	-7.3	-51.0%
PAYE	7.0	7.0	0.0	0.0%
WHT	13.4	9.7	3.7	38.2%
EXCISE TAX	0.07	1.0	-0.93	-93.0%
MINERAL TAX	0.7	1.3	-0.6	-46.2%
TOTAL	**45.7**	**61.1**	**-15.4**	**-25.2%**
of which large taxpayers	*17.9*	*35.2*	*-17.3*	*-49.1%*
of which small & medium taxpayers	*27.8*	*25.9*	*1.9*	*7.3%*

Source: RRA, 2019

Despite efforts made in recovering tax arrears, there are still large amounts of unrecovered tax arrears. Total stock of tax arrears (large taxpayers, small and medium taxpayers) at the end of the 2018/19 fiscal year amounted to Frw 266.8 billion. This represents a year-on-year growth of 4.5% from the Frw 255.3 billion stock of arrears at the end of 2017/18. Details are displayed in **Table 6** below. RRA is intensifying efforts to reduce the stock of domestic tax arrears through different strategies including ensuring a rapid response to new debts, carrying out investigation on difficult debts with possible hidden assets, using data analysis and third party information to track and profile debtor's assets, writing-off uncollectible amounts, and strengthening usage of debt management module in e-tax system to support tax arrears collection function.

Table 6: Stock of domestic tax arrears by tax office and age, in Frw billion

Age of domestic tax arrears	Domestic tax arrears for large taxpayers at end of 2018/19	Domestic tax arrears for small and medium taxpayers at end of 2018/19	Total domestic tax arrears at end of 2018/19	Percentage share to total domestic tax arrears
Less than 3 months overdue	1.2	4.2	5.4	2.0%
Between 3 and 6 months overdue	21.3	2.9	24.2	9.1%
Between 6 and 12 months overdue	5.6	12.9	18.5	6.9%
More than 12 months overdue	23.8	194.9	218.7	82.0%
Total	**51.9**	**214.9**	**266.8**	**100%**

Source: RRA, 2019

Small and medium taxpayers have a high amount of domestic tax arrears, accounting for 80.5% of total domestic tax arrears as of end June 2019. In terms of categories for the stock of tax arrears, Frw 96.1 billion are categorised under recoverable arrears. Details of the categorisation of arrears are given in **Table 7** below.

Table 7: Categories of domestic tax arrears at the end of 2018/19 fiscal year

Category	Number of cases	Amount of domestic tax arrears (billion Frw)	Percentage share to total domestic tax arrears
Recoverable arrears cases	5,492	96.1	36.0%
Difficult arrears cases	6,643	91.5	34.3%
Irrecoverable arrears cases	9,516	79.2	29.7%
Total	**21,651**	**266.8**	100%

Source: RRA, 2019

II.4.2 Customs tax arrears

The arrears collected by Customs Services Department amounted to Frw 44.7 billion, of which public institutions paid 87.7% (Frw 39.2 billion) while 12.3 % (Frw 5.5 billion) were collected from other arrears and fines. This represents a year-on-year growth of 35.0% from the Frw 33.1 billion collected in 2017/18.

The stock of customs arrears as of end June 2019 amounted to Frw 40.2 billion, of which 93.0% (Frw 37.4 billion) was from public institutions and 7.0% (Frw 2.8 billion) from other arrears and fines. Details are contained in **Table 8** below which displays customs tax arrears collection and stock of arrears as of end June 2019.

Table 8: Customs tax arrears collection in 2018/19 fiscal year and stock of arrears as of end June 2019 (Billion Frw)

Category	Arrears as of 30th June, 2018	New arrears during 2018/19	Total arrears recorded in 2018/19	Arrears collected during 2018/19	Stock of arrears as of 30th June, 2019
Government institutions	32.7	43.9	76.6	39.2	37.4
Other arrears	0.8	5.6	6.4	3.9	2.5
Fines	0.2	1.7	1.9	1.6	0.3
TOTAL	**33.7**	**51.2**	**84.9**	**44.7**	**40.2**

Source: RRA, 2019

II.5 MONITORING OF NON-FILERS AND NON-PAYERS

The RRA keeps track of all taxpayers who do not met their filing and payment obligations through the compliance monitoring division under domestic tax department. The compliance monitoring team played a big role in enforcing compliance among taxpayers especially on monitoring non-payment and non-filing of tax returns and enforcing VAT compliance through desk audit for VAT invoices not declared. This was done through monthly checks on filers, sending SMS before and after due dates, identifying non-filers, non-payers and inactive taxpayers in order to take relevant actions, inviting stop filers and meeting with them to know the reason for stop filling, and so on.

The SMS were customised and sent to all taxpayers expected to file reminding them to file their tax returns. SMS were also sent to all non-filers (after due date) reminding them of their filing and payment obligations. Five days after the due date, a list of late fillers is generated from e-tax system for follow up. In addition to that, SMS were sent to filers and payers for all taxes appreciating them for declaring and paying taxes.

In FY 2018/19, the total of notices of assessment established by the compliance monitoring team and approved regarding non-filers and non-payers after desk audit (before appeals) amounted to Frw 36.7 billion.

II.6 TAX EDUCATION AND INFORMATION

In 2018/19 fiscal year, RRA continued to intensify tax education and information programs across the country. Key activities carried out include the following:

a) **Conducted tax education sessions for 5,249 newly registered taxpayers** in **30 districts** as follows: Bugesera (218 taxpayers), Nyagatare (135 taxpayers), Gatsibo (117 taxpayers), Rwamagana (130 taxpayers), Muhanga (387 taxpayers), Kayonza (160 taxpayers), Ngoma (107 taxpayers), Kamonyi (201 taxpayers), Huye (161 taxpayers), Kirehe (179 taxpayers), Ruhango (105 taxpayers), Nyamagabe (91 taxpayers), Nyanza (131 taxpayers), Gisagara (44 taxpayers), Nyaruguru (85 taxpayers), Gicumbi (170 taxpayers), Rulindo (187 taxpayers), Burera (110 taxpayers), Musanze (202 taxpayers), Gakenke (126 taxpayers), Rubavu (252 taxpayers), Nyamasheke (110 taxpayers), Rusizi (142 taxpayers), Karongi (158 taxpayers),

Rutsiro (131 taxpayers), Gasabo (500 taxpayers), Kicukiro (300 taxpayers), Nyarugenge (500 taxpayers), Nyabihu (99 taxpayers), Ngororero (11 taxpayers).

b) **Conducted ten workshops on the use of EBM V.2** which were attended by **1,109 taxpayers** as follows: 45 maize flowers producers, 50 tour companies, 20 taxpayers operating in supermarkets, bars, hotels and restaurants, 115 taxpayers operating in Rwanda Garages Association, 280 taxpayers from Musanze district, 109 taxpayers from Rubavu district, 132 taxpayers from Muhanga district, 72 taxpayers from Huye district, 154 taxpayers from Rusizi district and 132 taxpayers from Kayonza district.

c) **Conducted twenty workshops/tax dialogues on tax compliance improvement plan attended by 2,250 taxpayers and other stakeholders** as follows: 109 clearing agencies, 9 members of PSF management, 8 members of RURA management, 93 high risk importers and clearing agencies, 219 ICPAR members and Tax Advisors, 21 members of association of engineers, 16 members of Rwanda hospitality, 62 large and medium taxpayers operating in ICT, construction and hotels, bars and restaurants sectors, 240 small taxpayers operating in ICT, construction and hotels, bars and restaurants sectors, 1,259 taxpayers operating in hospitality, construction and information and communication sectors from Karongi, Rusizi, Rulindo, Gakenke, Burera, Gicumbi, Rwamagana, Ngoma, Kirehe, Gatsibo, Nyagatare and Kayonza districts, 92 taxpayers operating in Kabatwa and Bugeshi trading centers in Musanze districts and 122 taxpayers operating in Cyanzarwe, Kanzenze, Ryabizigena and Gahenerezo trading centers in Rubavu district.

d) **Conducted tax education sessions on new income tax law and local taxes** with the following taxpayers: 111 executive secretaries of Villages (imidugudu) in Rutsiro district, 345 medium taxpayers operating in Kigali City, 178 representatives of NGOs, 23 members of Inkomoko Business Development clients, 40 religious leaders of CEPER operating in Kigali, 58 leaders of restoration church, 40 leaders of Anglican church, 44 leaders of Eglise Methodiste Libre au Rwanda, 92 representatives of other different churches, 45 women members of Rwanda women community development network, 112 new tax advisors, 480 abaheshabinkiko, 112 local leaders of Kirehe district, 170 local leaders of Rusizi district, 463 accountants of schools, sector offices, health centers and hospitals operating in Burera, Gakenke, Musanze, Gicumbi and Rulindo districts.

e) **Conducted tax dialogues with selected categories of taxpayers** as follows: PSF leaders from Rubavu district, 126 members of business community operating in Rubavu, Nyabihu and Kabarondo districts, 100 manufacturers and transporters, 24 experienced taxpayers ("Inararibonye"), 50 and 100 top large and medium taxpayers respectively who paid a biggest CIT in 2018.

f) **Organised nine RRA IWACU campaigns in the following 5 trading centers:** Gasarenda, Mugina and Kayenzi (Southern Province: 86 taxpayers attended), Rwimiyaga and Nyagasambu (Eastern Province: 151 taxpayers attended)), Butaro and Byangabo (Northern Province: 93 taxpayers attended), Rutsiro and Karongi (Western Province: 167 taxpayers attended).

g) **Conducted tax education sessions on different tax types** targeting different groups as follows: 40 coffee exporters, 11 taxpayers members of APRIOR association, non-compliant taxpayers on EBM obligations, representatives of 90 post de santé, 24 members of women peace through business association, 50 young entrepreneurs founded by BDF in agro-business, 32 accountants from members of association des transporteurs des personnes au Rwanda, 117 selected VAT registered taxpayers, 94 members of access women in business.

h) **Conducted 11 Public lectures** with 11 RDF Senior Command and staff of Nyakinama Military Academy, 50 students of Saint André College, 527 students of new tax friends club opened at Gihundwe Secondary School, 27 students of Ecole Congolaise, 123 students of Institue Catholic of Kabgayi, 110 students of Green Hills Academy, 52 students of Blue Lakes International School, 86 students of Collegio Santo Antonio Maria Zaccaria, 41 students of Riviera Highh School, 50 students of APAER Rusororo and 120 students of Saint Aloys Rwamagana Secondary School.

i) **Conducted sixty nine (69) Tax Advisory Council (TAC) meetings** in Districts and Kigali City across the country.

j) **Held a technical committee meeting of the tax platform for business competitiveness between PSF and RRA** chaired by the Commissioner of Domestic Taxes and co-chaired by the CEO of Private Sector Federation. In addition, **a high-level meeting of the tax platform**

for business competitiveness was held and chaired by the RRA Commissioner General and co-chaired by the CEO of Private Sector Federation.

k) RRA celebrated the 16th taxpayers' appreciation day which coincided with RRA 20th anniversary celebrations. This offered an opportunity to present to taxpayers and wider public the evolution of tax revenue collections in Rwanda and its impact on the national economy. Both events; taxpayers' appreciation day and RRA 20 years' anniversary were marked on 28th September 2018, but build-up activities began from August through September 2018. The overarching 2018 taxpayers' appreciation day and 20th Anniversary theme was: **"Pay Taxes, Build a Better Rwanda / Dusore Neza, Twubake u Rwanda Twifuza.**

During the celebration, RRA carried out several activities which included:

- Official launching ceremony of the taxpayers' appreciation month that took place in Ruhango district on 24th August, 2018 and hosted by the Honourable Minister of Finance and Economic Planning.

- Corporate social activities: RRA staff participated in reopening and creation of new drainage infrastructures, terraces/imirwanyasuri activities organized in collaboration with local authorities in Nyaruguru District/Southern Province.

- RRA IWACU campaigns: RRA conducted a one-month program of "RRA IWACU" campaigns with the aim of bringing RRA services closer to taxpayers.

- The taxpayers' appreciation day celebrated in all provinces countrywide.

- Appreciation of best taxpayers: RRA selected best taxpayers countrywide and appreciated them at provincial and national celebrations of taxpayers' appreciation day.

- The event was later crowned with celebration at the national level at Kigali Convention Center on 28th September 2018. The Guest of Honour was the Prime Minister Dr. Edouard Ngirente and the event was mainly marked by speeches, presentations/documentary on tax performance and appreciation of best taxpayers at national level.

RRA publicised relevant information to its stakeholders through different communication channels. TV and radio talk shows were conducted on TVR, Isango TV, Flash TV, TV1, Radio Rwanda, KISS FM, Flash FM, ISANGO Star FM and Radio 10. Online media like igihe.com, new times.co.rw, were used to publicize RRA's information. Also RRA Web Live Chat was activated and is now operational and the e-suggestion box was maintained. Print newspapers like Imvaho Nshya, The New times and The East-African as well as social media platforms like Twitter, Face book and YouTube were also used to inform taxpayers and the general public on different RRA programs and services and to acquire customer feedback.

RRA updated its website with the aim of making its operations widely accessible and continued to operate the call centre on the 3004 toll-free number to help adequately handle taxpayers' queries. Besides, telephone enquiry calls received by the RRA call centre were answered within acceptable time standards. As shown in **Table 9** below, 98.7% of telephone enquiry calls received were answered within 6 minutes' waiting time. Data does not, however, take account of the impact on taxpayers of line overload. The call centre system can accommodate a maximum of 6 callers at a time, meaning that during peak enquiry periods some taxpayers may not be able to get through to the call centre.

Table 9: Telephone Enquiry Call Waiting Time in 2018/19

Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time[5]	
		Number	In percent of total calls
July 2018	1,687	1,560	92.5%
August 2018	1,286	1,180	91.8%
September 2018	3,127	3,110	99.5%
October 2018	2,933	2,929	99.9%
November 2018	952	951	99.9%
December 2018	3,061	30,43	99.4%
January 2019	4,213	4,190	99.5%
February 2019	2,179	2,151	98.7%
March 2019	4,092	4,073	99.5%
April 2019	2,274	2,244	98.7%
May 2019	2,628	2,622	99.8%
June 2019	4,183	4,152	99.3%
12 months-Total	**32,615**	**32,205**	**98.7%**

Source: RRA, 2019

[5] TADAT assessments apply a time-based standard of six minutes for telephone responses.

II.7 DISPUTE RESOLUTION

Taxpayer disputes were resolved in a timely manner through RRA's appeal and amicable settlement committees. Alternative court litigation was required when taxpayers were not content with the results.

During FY 2018/19, RRA had **935** pending appeal cases; a decrease of **39.1%** compared to **1,535** pending appeal cases in 2017/18. Of the **935** pending appeals in 2018/19, **612** were completed (of which 91 were received in FY 2017/18 and 521 in 2018/19), **237** were rejected (of which 29 were from 2017/18 and 208 from 2018/19) and **86** were carried forward into FY 2019/20.

The finalised appeals cases had the reassessed tax liability reduced by the appeal committee from Frw 36.4 billion to Frw 20.4 billion, representing an **44%** reduction. The number of appeal cases whose tax liability did not change was 333 (54% of the total) and their corresponding value amounted to Frw 10.3 billion.

During the 2018/19 fiscal year, there were **93** requests received for amicable settlement. This is a year-on-year decrease of 41.9% from the 160 requests received in 2017/18. There were also 65 requests for amicable settlement cases brought forward from 2017/18 fiscal year, and in total there were **158** pending cases in 2018/19, out of which 37 were completed, 48 (with a tax liability value of Frw 4.1 billion) were rejected after analysis and 73 were carried forward into 2019/20. The amicable settlements had the tax liability reduced from Frw 13.2 billion to Frw 6.0 billion, representing 54.5% reduction.

Regarding time taken to resolve tax appeals and amicable settlement, 1.5% of disputes were resolved within good international practice standard of 30 days[6], most of disputes (93.1%) were finalised over 30 days but within 60 days, while 5.4% of disputes were completed within the period over 60 days but within 120 days. The statutory time limit for the completion of a dispute is 60 days in the case of tax appeal and 120 days in the case of an amicable settlement. **Table 10** shows time that was taken to finalise disputes in 2018/19 fiscal year.

[6] This is based on the TADAT guidelines

Table 10: Time taken to resolve disputes (tax appeals and amicable settlement) in 2018/19

Month	Total number finalised	Finalised within 30 days		Finalised over 30 days and within 60 days		Finalised over 60 days and within 120 days	
		Number	In percent of total	Number	In percent of total	Number	In percent of total
Jul 2018	75	0	0.0%	71	94.7%	4	5.3%
Aug 2018	65	1	1.5%	63	96.9%	1	1.5%
Sept 2018	44	0	0.0%	41	93.2%	3	6.8%
Oct 2018	45	1	2.2%	42	95.5%	2	4.4%
Nov 2018	59	1	1.7%	57	96.6%	1	1.7%
Dec 2018	58	1	1.7%	55	94.8%	2	3.4%
Jan 2019	52	0	0.0%	51	98.1%	1	1.9%
Feb 2019	31	0	0.0%	28	90.3%	3	9.7%
Mar 2019	46	1	2.2%	35	76.1%	10	21.7%
Apr 2019	46	1	2.2%	42	91.3%	3	6.5%
May 2019	61	1	1.6%	56	91.8%	4	6.6%
Jun 2019	67	3	4.5%	63	94.0%	1	1.5%
12 months	**649**	**10**	**1.5%**	**604**	**93.1%**	**35**	**5.4%**

Source: RRA, 2019

Regarding cases resolved by Courts, 174 cases were heard in the Courts of Law – a year-on-year decrease of 10.8% compared to 2017/18, of which 138 cases were totally ruled in favour of RRA, 28 cases totally ruled in favour of the taxpayers, 6 cases partially won by both parties while 2 cases were handled amicably.

Of all 166 cases totally ruled either in favour of RRA or in favour of the plaintiffs, **83.1%** were won by RRA compared to **85.6%** recorded in 2017/18, while **16.9%** were ruled in favour of the taxpayers compared to **14.4%** that was recorded in 2017/18.

II.8 REVIEWING AND DRAFTING OF LEGAL INSTRUMENTS AND PROVIDING LEGAL ADVICE

During the 2018/19 fiscal year, RRA continued to provide advice on tax issues as mandated. In this regards, RRA actively participated in:

a) Reviewing the draft Ministerial Orders implementing Law n° 016/2018 of 13/04/2018 establishing taxes on income;

b) Reviewing the draft Law on Excise Duty;

c) Drafting Ministerial Orders and Commissioner General Rules implementing Draft Law on Tax Procedures;

d) Drafting Ministerial Orders governing Law n° 75/2018 of 07/09/2018 determining the sources of revenue and property of decentralized entities;

e) Reviewing and publishing the Statute governing the members of staff of RRA.

Moreover, the following public rulings were prepared and published during the 2018/19 fiscal year:

a) Public ruling issued by the Commissioner General on Article 26 of the Law n° 016/2018 of 13/04/2018 establishing taxes on income;

b) Public ruling issued by the Commissioner General on Article 60 (30) of the Law n° 016/2018 of 13/04/2018 establishing taxes on income;

c) Public ruling issued by the Commissioner General on article 15 (7°) of the Law n°016/2018 of 13/04/2018 establishing taxes on income.

d) Draft ruling issued by the Commissioner General on article 46 of the Law n° 016/2018 of 13/4/2018 establishing taxes on income.

III. REPORT ON OTHER MAIN RRA KEY PERFORMANCE INDICATORS

In addition to the revenue performance report and administrative measures that contributed to the revenue target achievement, the following section presents a summary report on other RRA key performance indicators. These key performance indicators define the measurement of some important and useful information about RRA performance and enable the organization to identify areas requiring particular attention.

III.1 TAX TO GDP RATIO

Tax to GDP ratio is calculated by dividing the tax revenue collected by a country, by the gross domestic product (GDP) of that country, expressed as a percentage.

Changes in the tax-to-GDP ratio are driven by the relative changes in nominal tax revenues and in nominal GDP. From one year to another, if tax revenues rise more than GDP (or fall less than GDP) the tax-to-GDP ratio will increase. Conversely, if tax revenues rise less than GDP, or fall further, the tax-to-GDP ratio will go down. **Table 11** below shows a five-year trend of Tax to GDP ratio in Rwanda.

Table 11: Trend of tax to GDP ratio in Rwanda in billions of Frw (2014/15 – 2018/19)

Fiscal Year	2014/15	2015/16	2016/17	2017/18	2018/19
Tax Revenue (billion Frw)[7]	859.1	986.7	1,086.5	1,234.1	1,399.5
Nominal GDP (billion Frw)	5,670	6,321	7,125	7,898	8,596
Tax to GDP ratio	**15.2%**	**15.6%**	**15.2%**	**15.6%**	**16.3%**

Source: NISR and RRA, 2019

Tax to GDP ratio increased from **15.2%** in 2014/15 to **15.6%** in 2015/16 mainly due to new tax policy measures effected in this period. The ratio decreased to **15.2%** in 2016/17 due to the policy decision on worn clothing, which negatively affected tax collections and it increased to **15.6%** and **16.3%** in 2017/18 and 2018/19 respectively due to administrative measures that improved the tax revenue collection.

Different reforms geared towards broadening the tax base and increasing revenue mobilization were undertaken by RRA. However, despite the recorded growth in revenue collections, Rwanda's tax to GDP ratio is still below the 18% Sub-Saharan average. Since it is often not advisable to increase tax rates, additional revenue can mainly originate from two sources: broadening the tax base or further improvements collection efficiency.

[7] This excludes local government tax revenue collection

III.2 PERCENTAGE CONTRIBUTION OF TAX REVENUE COLLECTION TO NATIONAL BUDGET

This is the amount of annual tax revenue collection transferred to the national treasury as percentage of the total national budget.

The percentage contribution of tax revenue to national budget has increased progressively during the past four fiscal years. It increased to **58.3%** in 2017/18 fiscal year from **48.7%** in 2014/15 fiscal year. However, it decreased to 54.1% in 2018/19 as presented in the **Table 12** below. This was due mainly to key infrastructure projects e.g. construction of Bugesera airport, that have been allocated important resources.

Table 12: Percentage contribution of tax revenue to national budget in billions of Frw (2014/15-2018/19)

Fiscal year	2014/15	2015/16	2016/17	2017/18	2018/19
Tax revenue (billionFrw)[8]	859.1	986.7	1,086.5	1,234.1	1,399.5
Budget (billionFrw)	1,762.4	1,808.8	1,954.2	2,115.4	2,585.2
Tax as % of Budget	**48.7%**	**54.5%**	**55.6%**	**58.3%**	**54.1%**

Source: MINECOFIN and RRA, 2019

Although there has been good progress in contribution of tax revenue to national budget, the pace of tax revenue growth as well as the country's increased appetite for infrastructure investment calls for increased tax revenue mobilization to reduce the public debt. Tax revenue collection is key to the financial independence, stability and sustainability of a nation. This is in line with RRA's vision statement.

III.3 ON-TIME RETURNS FILING RATIO

This is the number of tax returns filed by the statutory due date (on-time returns filing) as percentage of the number of tax returns from all registered taxpayers required by law to file returns (expected tax returns). In this report, three major tax types were considered namely VAT, PAYE and Income Tax (CIT & PIT).

[8] This excludes local government tax revenue collection

III.3.1 On time returns filing ratios for VAT and PAYE

The average on time returns filing ratios for **large taxpayers** during 2018/19 fiscal year were 99.5% for VAT and 99.0% for PAYE, while **medium taxpayers** registered an average on-time returns filing ratios of 98.3% for VAT and 93.9% for PAYE. On the other hand, VAT and PAYE average on-time returns filing ratios for **small taxpayers** in 2018/19 fiscal year were 83.0% for VAT and 71.4% for PAYE. The **Table 13** below indicates the on time returns filing ratios for VAT and PAYE during 2018/19 fiscal year.

Table 13: On time returns filing rates for VAT and PAYE in FY 2018/19

Taxpayer segment	Large taxpayers		Medium taxpayers		Small taxpayers	
Tax Head	VAT	PAYE	VAT	PAYE	VAT	PAYE
Jul-18	99.9%	98.9%	97.8%	91.8%	81.7%	70.6%
Aug-18	100.0%	100.0%	98.0%	90.9%	78.9%	71.1%
Sep-18	99.6%	99.7%	99.7%	97.2%	82.3%	70.9%
Oct-18	100.0%	100.0%	99.2%	89.3%	82.3%	70.3%
Nov-18	100.0%	100.0%	98.3%	92.8%	79.5%	71.6%
Dec-18	100.0%	100.0%	98.6%	95.4%	82.3%	70.7%
Jan-19	98.9%	97.8%	98.1%	96.5%	82.1%	71.2%
Feb-9	99.6%	97.8%	97.2%	90.4%	77.3%	71.8%
Mar-19	98.9%	97.0%	98.3%	96.8%	88.2%	71.8%
Apr-19	98.6%	98.1%	98.3%	93.6%	87.7%	71.6%
May-19	99.3%	99.2%	97.9%	96.1%	84.7%	72.8%
Jun-19	99.3%	99.0%	98.3%	96.9%	88.7%	72.7%
Average	**99.5%**	**99.0%**	**98.3%**	**93.9%**	**83.0%**	**71.4%**

Source: RRA, 2019

III.3.2 On time returns filing ratios for income tax (CIT and PIT)

The on time returns filing ratio is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers.

On-time income tax filing ratios for 2018 financial year were 98.5% for **large taxpayers**, 94.7% for **medium taxpayers** and 75.5% for **small taxpayers** as illustrated in **Table 14** below.

Table 14: On time returns filing ratios for income tax (CIT & PIT) for 2018 tax period

Taxpayer segment	Number of expected declarations	Number of on time declarations	On-time filing ratio
LARGE	273	269	**98.5%**
MEDIUM	733	694	**94.7%**
SMALL	135,580	102,402	**75.5%**

Source: RRA, 2019

III.3.3 Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. **Table 15** shows the electronic filing status in four past fiscal years.

Table 15: Use of electronic filing (In percent of all declarations filled for each tax type)

Tax types	2015/16	2016/17	2017/18	2018 /19
	In percent of all declarations	In percent of all declarations	In percent of all declarations	In percent of all declarations
EXCISE	89.5%	100.0%	97.8%	100.0%
CIT	83.6%	96.6%	99.8%	100.0%
PAYE	99.5%	99.9%	100.0%	100.0%
PIT	70.5%	83.3%	97.1%	100.0%
VAT	99.1%	99.8%	99.9%	99.9%
LARGE TAXPAYERS (ALL CORE TAXES)	85.7%	100.0%	100.0%	100.0%

Source: RRA, 2019

E-filing is mandatory and rates across all core taxes were high during 2018/19 fiscal year. The respective e-filing rates exceed 99% for most tax types and reaching 100% for PAYE, Excise, CIT and PIT (all taxpayers) as well as the large taxpayer segment across all core taxes. The RRA promotes electronic filing through a number of avenues and provides a range of opportunities and support to encourage taxpayers to use the e-tax filing portal and mobile declarations (all phones). RRA also has plans to improve electronic filing services by expanding pre-population of forms which is expected to help improve on-time filing rates.

III.4 TIMELY PAYMENT OF TAXES

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment. In this report, two performance indicators are used.

III.4.1 On-time tax payment ratio

This is the amount of tax paid by due date as percentage of amount of tax declared by due date.

In 2018/19 fiscal year, the on-time tax payment ratios for **large taxpayers** were 97.0% for income tax (CIT & PIT), 99.0% for VAT and 99.2% for PAYE.

Medium taxpayers registered on-time tax payment ratios of 95.0% for income tax, 90.7% for VAT and 88.8% for PAYE.

Income tax, VAT and PAYE on-time tax payment ratios for **small taxpayers** were 85.4%, 79.3% and 77.2% respectively.

The average on-time tax payment ratios for all taxpayer segments were 94.8% for i**ncome tax**, 92.5% for **VAT** and 89.9% for **PAYE**.

On-time tax payment ratios by tax heads and taxpayer segments are shown in **Table 16**.

Table 16: On-time tax payment ratios by tax heads and taxpayer segments

Tax head	CIT &PIT				VAT				PAYE			
Taxpayer segment	Large	Medium	Small	Total	Large	Medium	Small	Total	Large	Medium	Small	Total
Tax declared on-time (billion Frw)	20.9	5.15	4.8	30.9	233.7	40.9	110.8	385.4	169.0	43.8	118.4	331.2
Tax paid on-time (billion Frw)	20.3	4.89	4.1	29.3	231.4	37.1	87.9	356.4	167.6	38.9	91.4	297.9
On-time payment ratios	**97.0%**	**95.0%**	**85.4%**	**94.8%**	**99.0%**	**90.7%**	**79.3%**	**92.5%**	**99.2%**	**88.8%**	**77.2%**	**89.9%**

Source: RRA, 2019

The improved performance in "on-time tax returns filing and payments" is a result of different efforts made by RRA including monitoring non-payment and non-filing of tax returns. This was done through monthly checks on filers, sending SMS before and after due date, identifying non-filers, non-payers and take relevant actions.

III.4.2 Use of electronic payment methods

This indicator shows tax payments made electronically during a given period as percentage of total tax payments made during the same period. It examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. **Table 17** shows status on the use of electronic payments for 2018/19 fiscal year.

Table 17: Use of Electronic Payments for 2018/19 fiscal year

Taxpayers segments and tax types		In percent of total value of payments received for each tax type	Percentage average
Small & medium taxpayers	CIT	91.1%	**92.6%**
	PIT	85.6%	
	PAYE	90.6%	
	VAT	95.9%	
	EXCISE TAX	99.8%	
Large taxpayers	CIT	93.7%	**96.2%**
	PIT	97.5%	
	PAYE	92.1%	
	VAT	98.0%	
	EXCISE TAX	99.8%	

Source: RRA, 2019

Electronic payment rates for large taxpayers are low relative to international good practice standards (100%). Electronic payment rates for small and medium taxpayers are highest for domestic excise tax (99.8%) and VAT (95.9%), followed by CIT (91.1%), PAYE (90.6%) and PIT (85.6%); and average of 92.6%.

III.5 AMOUNT OF TAX ARREARS COLLECTED AS PERCENTAGE OF AVAILABLE DEBTS TO COLLECT

To calculate the amount of tax arrears collected as a percentage of available debts to collect, we took the amount of payments received during FY 2018/19 through enforcement measures, divided by the amount of debts subject to enforcement measures as of 1st July 2018 plus the additional amounts subject to enforcement measures received from July 2018 to June 2019, expressed as a percentage.

The numerator includes all tax arrears collection including penalties and interest. The denominator includes all existing and new tax arrears including penalties and interest, both recoverable and difficult **but not those, which are irrecoverable**, minus arrears waived as well as credit notes used to pay arrears.

As of end June 2019, the overall percentage of tax arrears collected to available arrears to collect was **28.4%** as indicated in **Table 18** below.

Table 18: Amount of tax arrears collected as percentage of available debts to collect

Department	Stock of tax arrears as of 1st July 2018- opening balance (billion Frw)	New tax arrears (including interest & penalties) recorded in 2018/19 (billion Frw)	Arrears waived and credit notes used to pay arrears (billion Frw)	Total opening balance, plus new tax arrears recorded, minus arrears waived and credit notes used to pay arrears in 2018/19 (billion Frw)	Irrecoverable tax arrears as of end June 2019 (billion Frw)	Total tax arrears collected during 2018/19 (billion Frw)	% of tax arrears collected to available arrears to collect during 2018/19
Large taxpayers	40.5	51.6	22.2	69.9	0.15	17.9	25.6%
Small & medium taxpayers	181.3	221.5	160.4	242.4	79.1	27.8	17.0%
CSD	33.7	51.2	-	84.9	-	44.7	52.7%
TOTAL	**255.5**	**324.3**	**182.6**	**397.2**	**79.2**	**90.4**	**28.4%**

Source: RRA, 2019

In general, tax arrears collection ratio of **28.4%** is still low and this indicates ineffectiveness in collecting tax debts. More efforts in collecting tax arrears are needed. Small and medium taxpayers have a high amount of tax arrears but the ratio of collection is too low. The increase in the debt portfolio was mainly due to the actions undertaken by the tax compliance monitoring unit and new cases from tax audits.

III.6 EBM ACQUISITION RATIO

This is obtained by dividing the number of VAT registered taxpayers having EBMs at a given period by the number of VAT registered taxpayers expected to have EBM at the same period. **Table 19** below shows the status as of end June 2019.

Table 19: EBM acquisition ratio as of end June 2019

Total # of VAT registered taxpayers	# of non-filers for VAT within the past 12 months	# of VAT registered taxpayers exempted from having EBM	# of VAT registered taxpayers that should have EBM (Expected)	# of taxpayers having EBM	EBM acquisition ratio
24,022	1,555	220	22,247	20,987	**94.3%**

Source: RRA, 2019

As indicated in **Table 19** above, the EBM acquisition ratio is **94.3%** meaning that there are still some VAT registered taxpayers (1,260; equivalent to 5.7%) who are operating without EBMs yet they are supposed to have them.

IV. IMPLEMENTATION PROGRESS REPORT ON THE RRA MAIN PROJECTS

During the 2018/19 fiscal year, RRA continued to implement various projects aimed at improving service delivery and enhancing revenue mobilisation. Key projects implemented include the following:

IV.1 ELECTRONIC BILLING MACHINES (EBM)

RRA continued to undertake initiatives aimed at improving VAT compliance through Electronic Billing Machine usage. During 2018/19, a number of actions were undertaken including the following:

a) Developed the EBM compliance strategy 2017-2022. This document is a revised version of EBM compliance strategy 2017-2020 developed and approved in 2017. The difference with the initial version consists of the fact that the elaboration of this version involved the consultations with internal and external stakeholders to identify causes of EBM compliance gaps and proposed solutions to overcome challenges of these gaps.

b) Integrated private invoicing systems with EBM V.2.0 system through Virtual Sales Data Controller (V-SDC) as a pilot phase for 30 taxpayers including hotels, telecommunication companies, pharmacies and restaurants. This was done subsequent to certification of two Virtual Sales Data Controller (V-SDC) providers who met the requirements. These two certified V-SDC providers were given provisional certificates of six months and were authorised to make test on a certain number of taxpayers.

c) Started the process of enhancing the EBM V.2.0 system. The rationale for the EBM V.2.0 enhancement is to develop and deploy various versions of EBM client software by Operating System (OS) other than windows such as Android, Mac OS and Linux OS with multi-channel cashless payment management module; simplification of the EBM client software interface to make it more intuitive and user-friendly for small businesses and make the current EBM V.2.0 system an open communication tool for a third party POS software such as EBM Application Programming Interface (API), secure block SDC module and V-SDC.

   The following activities were carried out towards the EBM V.2.0 enhancement:

   i) Defined the project requirements containing functionalities which were not in the current EBM V.2 client software such as bar code reader, cashless payment mode, catering specific sector activities (hotels, bars, restaurants, etc.) and open web Application Programming Interfaces (APIs) for private invoicing systems through V-SDC.

   ii) Developed the action plan for the utilization of KOICA financial support. This action plan was approved by KOICA.

   iii) Started systems development based on defined project requirements. This activity is still ongoing.

d) Used data analysis to identify non-compliance cases on EBM. The following main activities were performed:

   i) Capacity building on python and data analysis to the data science team;

   ii) Building the infrastructure required for data analytics activities;

   iii) Development of a python package to communicate with internal databases;

iv) Development of a python package to extract item information from EBM V.1 receipts;

v) Monitor the reporting behaviour and come up with measures to mitigate the non-reporting.

e) Sensitised taxpayers through day-to-day activities and encouraged them to use EBM, register their businesses in VAT and assisted them on EBM usage. In this regard, 7,064 taxpayers were visited and 33 new taxpayers were registered for VAT during this exercise.

f) Carried out targeted actions driven by data analytics aiming at raising EBM compliance (e.g. sms, loading airtime, call phones, visits, warnings letters, meetings, etc.)

g) Closely monitored some hotels, bars, restaurants and supermarkets and continuously checked and reported on the under-reporting of goods and services prices on EBM invoices. Also deployed staff in busy areas in Kigali to monitor the EBM usage whereby 90,489 vehicles, 871,381 EBM invoices and 79,053 manual invoices were checked; monitored and checked 973 vehicles transporting timber for selling at Gisozi market from different areas of the country and outside the country; conducted mystery shopping activities for targeted non-compliant taxpayers and closed business activities for a one month for taxpayers fined more than twice for no compliance.

h) Continued to install EBM V.2.0 software to taxpayer's machines and provided training for machine users. As of end June 2019 the total number of taxpayers who had EBM V.2.0 system was **6,286** compared to 2,960 as of end June 2018.

i) Reviewed the EBM lottery scheme as an approach to encourage buyers to request for EBM receipts whenever they buy a product or service. From May to June 2019 various prizes including 16 smart phones, 6 flat screens, 2 laptops, 6 school kits and 1,630 airtimes (worth 2,500 Frw each airtime) were awarded to lucky winners.

As a result of the above actions, 960 affidavits were established and 685 fines notifications amounting to Frw 140.5 million were given to EBM non-compliant taxpayers. In addition, a total of 20,987 registered taxpayers had Electronic Billing Machines as of end June 2019. This means there was an increase of 18.8% (3,322 taxpayers) over 12 months compared to 17,665 as of end

June 2018. The total number of activated EBMs as of end June 2019 was 26,988; a 17.7% increase when compared to the end June 2018 status (22,921 EBMs). Further, in FY2018/19, **32,031,263** EBM invoices were issued compared to **29,459,565** recorded in 2017/18 fiscal year.

IV.2 E-TAX ENHANCEMENT

During 2018/19, the following improvements and additions were made to the e-tax system:

a) The International standard Industry sector classification coding revision 4 was tested and harmonized with RDB's ISIC Revision 4 codes. Although, ISIC level 6 was developed and tested with RDB for business/taxpayer registration, it is awaiting RDB system upgrade and data migration so as to implement level ISIC level 6 codes. There have been some technical issues on the RDB system but once that is done then they will be implemented.

b) Successfully implemented the VAT output validation controls between E-Tax and EBM to detect and prevent possible under reporting of VAT output by ensuring that VAT turnover declared is greater or equal to EBM sales. This was implemented from December 2018 for the VAT returns that were received in January 2019.

c) The system controls to pre-fill the income tax quarterly prepayments declaration form were implemented and this will continue to prevent taxpayers from claiming wrong income tax advances.

d) Interface between E-Tax and Electronic single window for Customs was developed to provide quick service delivery at the time of importing goods through customs. The system will be able to detect regular importers who consecutively import goods above CIF of 20 Million-FRW in a year and not registered for domestic taxes. This is being tested to ensure that it doesn't reduce the system performances for both Domestic taxes and customs.

e) Data migration process for large, medium and small taxpayers and data validation activity were all completed. However, there were some exceptions identified with data structures from SIGTAS and E-Tax and this affected data migration where those few exceptions are now being handled through data clean-up project.

f) RRA's E-Tax, MINECOFIN's FMIS and BNR's T24 systems integration was developed, tested and implemented successfully. There are 4,786 Government entities registered with RRA and at the same time enrolled on IFMIS but out of those, 379 have accounts in BNR and their tax payments directly update tax accounts in E-Tax system. The remaining Government entities have no bank accounts in BNR.

g) Prepared business requirements for refund module enhancements as per the board's approval of the new refund manual aimed at improving VAT refund payment process for both the ordinary taxpayers and the privileged persons (diplomats).

h) Prepared business requirements to further enhance E-Tax system to match the changing business environment and this will as well apply to IFMIS-E-Tax-BNR systems integration. The target is to have all Government entities enrol on the IFMIS and E-Tax.

i) Developed business requirements that cover the entire income tax declarations for PIT and CIT validation controls to detect revenue loss. These were partially implemented pending publication of the new tax procedure law.

j) Provided support on the audit, enforcement and appeals modules to staff in those respective units for purposes of ensuring that the E-Tax modules are being implemented as they should.

IV.3 INTEGRATION OF GEOGRAPHIC INFORMATION SYSTEM (GIS)

The Geographic Information System (GIS) was already integrated into RRA's Local Government Tax Management System and is well operational.

Making use of the GIS features is allowing a more efficient and effective use of auditors, enforcement and registration officers by better locating and targeting key taxpayers and geographical areas through mapping the current registration and payment status. GIS applications feed into RRA's Local Government Tax Management System which has started to facilitate the registration and location of properties.

IV.4 ENHANCEMENT OF LOCAL GOVERNMENT TAXES MANAGEMENT SYSTEM

Given the limited number of audits RRA is able to conduct with its existing staff levels and the foreseeable challenges regarding the implementation of the new property tax, it is important that RRA employs an efficient and effective LGMT system. The enhanced system will better satisfy the needs of a modern tax administration, the requirements of the districts and NGALI staff, and will improve service delivery to taxpayers. The enhancement project will serve to cover gaps and implement new functions that will facilitate the revenue collection by integrating data with other institutions.

During FY 2018/19, the following activities were carried out in order to enhance the Local Government Tax Management System (LGTMS):

a) Property tax module was developed into LGTMS, tested and is in use.
b) Enhancement of registration and declaration modules were completed, tested and are in use.
c) Audit and enforcement modules were developed and testing was in progress by end of fiscal year.
d) Development of other functionalities (reporting, credit note management and e-support interfaces) and full enhancement of the system will be completed in semester 1 of FY 2019/20. There were delays in source code acquisition; and this impacted project completion from July 2019 to December 2019.

IV.5 SAGE X- 3 UPDATE, TECHNICAL SUPPORT AND TRAINING SERVICES

In order to ensure timely (monthly and quarterly) reporting, greater utilization of Sage X3 and sustainability of the investment made, more technical support from the consultant was required. In 2018/19 fiscal year, RRA signed a new support contract with JERA consulting (Pty) Ltd; and technical support was provided in the following areas:

a) Front-end auto reconciliation facility;
b) Draft proposal on reduction of bank accounts;
c) Web-services, accounting tasks and file transfer protocol (FTP) statement server;
d) Bank statement dashboard improvement;
e) Specifications for automation of transfers;
f) Monthly and quarter-end closure of accounts;

g) Creation of new reports: ageing report for reconciling items, duplicate report in PDF, FER report, delayed notifications report, failure report for imported transactions, supplier report, district reports and caution report.

h) Facility to capture description for reconciling items.

IV.6 TAXPAYER ACCOUNTS RECONCILIATION AND UPDATE

After identifying challenges related to tax accounts, RRA is intent on ensuring taxpayer accounts are reconciled and updated to reflect the correct balances due. This will facilitate RRA to implement reforms aimed at enabling taxpayers to track their balances online and improve efficiencies in tax administration.

The project started in May 2019 and the following activities were performed:

a) Inception report was submitted and approved by steering committee

b) Scoping study was completed and the draft report presented to the steering committee and RRA Senoir Management Team.

c) Gap analysis was conducted to understand the current situation and the way to fix the identified challenges for proper implementation of the project was discussed.

d) RRA recruited 23 interns to carry out taxpayer accounts reconciliation and update. These interns were trained on how to conduct the exercise and after training, they started the work.

e) The process of suspense account clean-up is at 40% and still ongoing

IV.7 TAXPAYER REGISTRY AND DATA CLEAN UP

The taxpayer registry and data clean-up project was created to address inaccurate and low reliability of taxpayer information (taxpayers' registry in RRA). In 2018/19, taxpayer registry and data clean-up activities were carried out by the Head Quarter Function whose structure was approved and staff responsible for quality review assignment allocated. The aim of the Head Quarter Function is to ensure that tax administration has an accurate database of taxpayers with complete information on where taxpayers are located and whether they are active.

Main achievements made by the HQ Function facilitation during 2018/19 fiscal year are summarised below:

a) Business Intelligence alerts were created as a tool used to identify any error which negatively impact integrity of data and they are monitored on a weekly basis;

b) A joint team was created (Registry integrity officers) which is composed of officers from each district (tax centre) in order to handle and monitor both old and current taxpayers' data on regular basis so as to maintain data accuracy;

c) Joint workshops and meetings with IT officers, registration officers and Business Analysts were organized to adopt strategies on how to maintain an accurate and reliable taxpayer register;

d) Data mismatch between RRA and RDB whereby all related issues were identified and fixed:
    i) A number of taxpayers registered with RDB portal but without income tax accounts in E-tax yet they are business owners. This reduces number of expected filers for income tax.
    ii) A number of taxpayers with multiple tax accounts were identified and fixed.
    iii) Taxpayers registered for wrong tax account (WOP Public supplies for individuals, CIT/VAT for public institutions) were identified and fixed;
    iv) Wrong ISIC found from both RDB and RRA systems were identified.

e) A training session on the use of RDB portal for registration of taxpayers was conducted in order to keep a single portal for businesses registration. The implementation is yet to start.

f) Other different issues were identified but are still pending due to the fact that they will be fixed under the e-tax enhancement. These include:
    i) Missing ISIC, where some taxpayers are not classified under any economic activity
    ii) Individual taxpayers registered with wrong or incomplete identification number/ passport.

IV.8 ISO 27001 (INFORMATION SECURITY MANAGEMENT SYSTEM) STANDARD AT RRA

This project aims at implementing the requirements included in the ISO 27001 standard for Information Security Management Systems with the end goal of obtaining certification for RRA. By implementing the ISO 27001 standard, RRA shall ensure that a comprehensive review of

Information Security issues is carried out not only as a one-time operation, but on a continual basis to guarantee continued improvement which is one of the requirements of the standard.

Upon certification, RRA will be compliant with information security requirements – which is the expectation of its customers (taxpayers and other partners).

The following main activities were carried out during 2018/19 fiscal year:

a) The first phase of the Implementation of ISO 27001 was completed;
b) RRA purchased the ISO 27001 standard (blue print) to be implemented;
c) Training of project team composed of implementers and auditors was conducted;
d) Information Security Management System (ISMS) was finalized and approved;
e) The Information Security Policy was developed and approved;
f) The Information Security Management System documentation (policies, procedures, guidelines) as required by ISO 27001 Standard was completed and approved;
g) Information Security risk assessment was performed, and subsequent risk treatment plan was developed;
h) Information Security Management System awareness activities were performed.

Activities scheduled ahead are information security management system (ISMS) performance evaluation, ISMS internal audit and ISO 27001 certification audit.

IV.9 ELECTRONIC SINGLE WINDOW (ESW)

The Rwanda Electronic Single Window and Customs Management System Project was initiated by Rwanda Revenue Authority in its modernization programs to facilitate in interfacing all business agencies involved in the supply chain into one single window with an objective of reducing and simplifying clearance procedures and reduce time and cost of doing business in Rwanda. Below is a summary of key achievements made during 2018/19 fiscal year:

a) Upgraded ASYCUDA World and Customs Management System to the new version;

b) Development of advanced ruling module was at 50% by end June 2019;

c) Basic and advanced trainings related to the development of ASYCUDA World /Single Window modules were delivered to the local project implementation team;

d) The core framework for development of the single transaction point was completed at 95% by end June 2019, the final part of it is due in the first quarter of 2019/20 fiscal year;

e) Other ESW System enhancements done to ensure customs business continuity include:
   i) Review of debt management module;
   ii) Development of customs delays monitoring system;
   iii) Development of special regime - Automatic assignment;
   iv) Development of SCT - Post exit verification management.

IV.10 AUTHORIZED ECONOMIC OPERATORS (AEO)

The AEO Program aims to reduce the cargo clearance time and cost, enhance compliance by offering a preferential treatment to economic operators and strengthen partnership between Customs Administrations and the Business Community.

The following main activities were performed during FY 2018/19 to sustain the AEO program:

a) Conducted awareness and sensitization on the regional AEO program to trade operators: 90 people in totality (60 manufacturers and 30 transporters).

b) Conducted capacity building for customs officers to sustain the AEO program: 101 officers were sensitized on AEO program in general, 4 staff trained on Certified Enterprise Risk Management, while 4 Post Clearance Audit officers were trained on Accounting Software.

c) Accredited new AEOs: 14 new AEOs were approved at regional level to make 48 regional AEOs in totality from 34 in 2017/18 fiscal year.

d) Conducted two AEO national technical working group meetings.

IV.11 EVALUATION OF DATA WAREHOUSE, RISK MANAGEMENT AND BUSINESS INTELLIGENCE SYSTEM

Data warehouse, Risk Management and Business Intelligence System (DWH & BI) was developed in FY 2013/14 and became fully operational from 2015 to date. It is used for data analysis and reporting through integration and bringing together data from all RRA IT systems into a centralized location. Since its implementation, the DWH &BI System has been successfully integrated with various applications at RRA and third parties and it provides pre-build in reports and dashboards that facilitate better planning and assessment for easy tax risk analysis and hence guide management in taking informed decisions.

A number of expectations and intended benefits were set, to ensure that business intelligence solutions meet the needs of RRA and users in general; therefore, after three years for implementation, there was a need to evaluate if the intended System objectives were achieved.

The evaluation was conducted in 2018 and revealed that the project met the business goals and client expectations through creating an intelligent environment that enables decision making and promotes compliance. Implementing the Data Warehouse, Risk Management and Business Intelligence System for RRA accomplished several direct benefits including:

- Increase in tax and customs audit revenue
- Increase in tax fraud detection
- Improved compliance with tax laws
- Ability to compare data from different systems
- Analysis of historical data and trends
- Accuracy in managerial reports

The evaluation revealed also that in the most conservative of estimates and assuming other factors remained constant, the DWH has been responsible for the discovery of approximately FRW 7.9 billion of previously missed revenue. This implies a Return on Investment (ROI) of 627%. The formula for this outcome is shown below:

ROI = (Assessed gain on investment / Initial investment amount) x 100

= (7,900,000,000 / 1,260,000,000) x 100 = 627%

In addition, based on the evaluation that has been conducted, there have been a number of areas that require the focus and attention of RRA. The basis of the evaluation was to not only find gaps in the current state of the system, but to also find resolutions for those issues. Changes that can assist in removing these inconsistencies from the system moving forward are covered in the detailed evaluation report which will be the basis for the system enhancement.

V. ACHIEVEMENTS TOWARDS STRENGTHENING INTERNAL CAPACITY

During 2018/19, a number of activities were performed by RRA in order to enhance the sustainability and security of IT systems, strengthen human resources management, internal control systems and skills capacity. Below are some highlights:

V.1 ENHANCE RRA OPERATIONS THROUGH ICT SYSTEMS

In addition to the IT developments mentioned in section IV.2 of this report, there were other key activities carried out by RRA aimed at enhancing the sustainability and security of IT systems. These include:

V.1.1 Network performance improvement

Following the wave of digitisation of services given to taxpayers, today RRA operates online systems where taxpayers perform their tax obligations at their convenience at any time of the day. This requirement translates into having an infrastructure that never sleeps.

In a bid to meet this requirement, high speed core switches were introduced in RRA network upgraded from 1 Gbps to 10 Gbps for operational systems. The increased speed of network switching reduced significantly the time taken to perform online transactions.

Furthermore, professional load balancer was installed in RRA – IS/IT environment. The objective was to avoid congestion that existed in online systems (especially during peak periods). The equipment installed distributes incoming traffic to the least busy server of a particular system. Each online system is configured with redundancy for improving performance.

V.1.2 Maintenance of Information Technology environment

RRA online systems have a steady demand for computing resources including processing power and storage. These two parameters are closely monitored for avoiding any interruption that may be caused by their shortage.

In 2018/19, the storage capacity was increased according to its consumption rate and anticipated demand.

Online systems run on a licensed infrastructure. Licensing requirements for each system were met during the reporting period. New licenses were acquired, and existing licenses renewed as per their licensing cycle.

The supporting infrastructure (cooling system, electrical networks) were maintained and met operational expectations required by IT environment.

In addition to operational systems (for customs and DTD), particular attention was given to office operations. Internet communication, mail server, file server, voice communication, printing, etc. were provided to the expected level.

V.1.3 Information Security

Information security risk management were given due importance in 2018/19. In addition to the on-going Information Security Management System (ISO 27001 compliant), a new IT Security section was made operational.

The digitisation brings significant benefits but comes with vulnerabilities that can prevent RRA achieve its objectives. An IT security and vulnerability assessment and fixing, advisory and on-site training activity was undertaken for identifying vulnerabilities facing IT environment of RRA. The goal is to increase the effort of preventing cyber security threats to exploit the vulnerabilities mentioned.

V.1.4 RRA Data Loss Prevention (DLP) Solution

Under the BAIP-NRD information security framework contract, RRA installed Safetica DLP solution to help monitor and control sensitive or classified RRA data.

RRA's DLP solution is currently running in monitor mode and generating reports as we work on creating safe data zones in RRA. The solution is dependent on RRA fully adopting its new Data Classification Standard in all its documents to derive maximum value from this tool. Capabilities include:

a) **Discovery -** discover all sensitive RRA data and apply configured restrictions or policies to it.
b) **Data Protection** – know who accesses RRA sensitive data and what they do with it. E.g. send to email or flash disk, copy, delete, etc.
c) **Device Control** – allow or prevent the use of certain devices on RRA network e.g. block the use of USBs, hard disks, etc.
d) **Website Control** – prevent users from visiting risky websites e.g. malware sites, pornography, etc.
e) **Print Control** – monitor the usage of RRA printer resources e.g. who prints the most. Able to set print quotas if necessary.

V.1.5 Local traffic management

The Link between RRA and Rwanda Internet Exchange RINEX (RICTA) was implemented and its backup. The benefit from this activity is that internet RRA customers accessing our online services is contained within Rwanda. Previously, the traffic had to make a return trip to an exchange point located far away from Rwanda.

V.1.6 Power and data cabling of new RRA offices

In 2018/19 fiscal year, there were RRA offices that relocated to new buildings and new offices were created. Those offices are: Domestic tax offices in Nyagatare, Huye, Nyamasheke, Rutsiro, Gakenke and Nyabihu districts, RRA/HQ new building of motor vehicle number plate and Data clean-up centre Kicukiro. Data and power cabling was done in those new offices enabling RRA staff to perform their duties.

V.2 STRENGTHEN HUMAN RESOURCES MANAGEMENT

RRA performed a number of activities that contributed to the development of staff capacity and achievement of efficiency in its service delivery and other set targets. These include:

V.2.1 TRAINING AND DEVELOPMENT

The RRA lays much emphasis on staff training and development so as to ensure that the staff members have the right balance of both technical and behavioural competencies. In order to achieve this objective, various tailor-made training and development programmes were implemented by the RRA in FY 2018/19.

V.2.1.1 Short training courses delivered

During the 2018/19, RRA conducted **71** short training courses out of **98** that were planned; this makes a performance of **72.4%**. The attendance number for these 71 courses was **2,695** out of the **2,105** that was initially planned. The number of attendees increased by **43.8%** compared to 2017/18 fiscal year. The main reasons for not covering the planned courses are lack of trainers for specialised sectors and limited budget for outsourcing the trainers who are not available internally.

V.2.1.2 Professional courses

RRA employees continued to benefit from studying professional courses sponsored by the Government of Rwanda through the Ministry of Finance and Economic Planning as well as the Rwanda Revenue Authority.

In FY 2018/19, 302 RRA employees undertook different professional courses as follows: 21 RRA staff undertook the Association of Chartered Certified Accountants (ACCA), 176 staff undertook the Certified Public Accountants (CPA), 45 staff undertook the Certified Accountant Technicians (CAT), 8 staff members were certified Project Management Professional (PMP), 11 Certified International Personnel Development (CIPD), 1 certified Financial Analyst, 6 trained in Customs Professional Development Courses, 2 trained in Legal Practice and Development, 4 certified Enterprise Risk Manager, 2 certified Global Logistics and Supply Chain, 7 certified International Financial Reporting Standards specialist in banking sector, 2 certified International Change Manager, 15 Certified International Public Sector Accounting Standards (IPSAS) and 2 certified ISO 31000 Lead Risk Manager.

V.2.1.3 Long-term training

RRA provides long term training in order to expand the knowledge capacity for its employees, the purpose of this investment is to ensure that employees have consistent knowledge to increase their productivity and adherence to quality standards and improve employees' performance and satisfaction. In 2018/19 fiscal year, 3 RRA employees benefited long term trainings for a period varying between 12 and 18 months.

V.2.2 OTHER KEY HUMAN RESOURCE MANAGEMENT INITIATIVES

During 2018/19 fiscal year, a numerous of other initiatives in the field of HR management were carried out. They include:

V.2.2.1 Staff retention and motivation

In order to increase staff motivation and retain talented personals, RRA Board of Directors meeting of 7th September 2018 approved new RRA salary structure and the implementation took effect starting from August 2018. The average salary increment was 36%.
RRA Board meeting of 3rd April 2019 also approved a special allowance of Frw 599,700 gross to RRA state attorneys. This started to be implemented by January 2019.

RRA Board meeting of 3rd April 2019 also approved the Performance Based Bonus Guidelines to reflect individual and team performance while allocating the performance bonus to staff.

V.2.2.2 Embed staff performance management

During 2018/19 fiscal year, performance management was the focus for RRA in HR Department. The main purpose was to redefine new performance culture. To achieve this, HR conducted several refresher trainings on performance management especially in Monitoring and Evaluation, in setting SMART objectives, and Performance Based Bonus. This was to assure that RRA managers understand the current process of performance management, tools used and impact of good performance management on both organization and individuals.

In the same context of improving the staff performance, a Performance Improvement Plan Guide were developed to guide managers in dealing with low performers.

In order to enforce performance management, quarterly performance discussion were also introduced. A quarterly performance discussion template and guide was initiated to help in tracking the progress of implementation of set objectives to ensure and encourage a continuous feedback.

V.2.2.3 Revision of the Statute governing members of RRA staff

This revised Statute established specific Statute governing staff members of Rwanda Revenue Authority. It specifies the job requirements of staff members, rights and obligations towards the Authority and the Authority to the staff members. It was approved by the RRA Board of Directors on 27th June 2019 replacing the RRA Statute of 2011 that was been in-force. Some of the changes in the revised statute include composition of gross salary, employment grading, retirement age and retirement benefits.

V.2.2.4 Developed and approved counselling policy

This policy provides relevant guidelines and a framework for the implementation of structures and programmes that will form a road map in providing counselling services to all RRA employees and their immediate families. Further, it ensures the provision of appropriate facilities, psycho-education, integrated guidance and counselling employee support programmes that effectively support them to maintain a healthy psychological state as they deliver services.

V.2.2.5 Established career guide for the implementation of succession plan

This guide enables RRA to assess the talent and leadership needs of the Authority as well as to continuously have the right staff to take on key positions which will in the end promote business continuity.

V.2.2.6 Established continuous recognition guide

The purpose of this guide is to supplement the existing guide on performance award and recognition with aim of building a culture of appreciating and recognizing best performers.

V.2.2.7 Established RRA's sport management framework

The aim of RRA Sport Management framework is to provide guidance to the RRA sports management in matters related to RRA sport activities in RRA.

V.2.2.8 Staff recruitment and promotions

During 2018/19, 46 new permanent employees were recruited by RRA in order to fill vacant positions within different departments, of which 37 employees (80.4% of all new employees) were appointed in Domestic Tax and Customs Services Departments.

At the end of the 2018/19 fiscal year, RRA had 1,273 permanent staff members compared to 1,254 at the end of 2017/18. Permanent staff members were supported by 151 police officers as well as 88 temporary staff working on the EBM and tax arrears recovery activities project as of end June 2019.

In addition, 26 RRA employees were promoted or confirmed to higher grades in order to fill in vacant positions. Of these employees, 11 (equivalent to 42.3% of all promoted staff) were working in the Domestic Tax Department. All promotions were done in accordance with the terms and conditions of RRA's internal processes and procedures for staff.

V.2.2.9 Senior managers' appointments

On 18th October 2018, the Cabinet appointed the new RRA Commissioner General and the Deputy Commissioner General and Commissioner for Corporate Services respectively. The Commissioner General is **Mr. BIZIMANA RUGANINTWALI Pascal**, who was formerly the Deputy Commissioner General and Commissioner for Corporate Services, while the Deputy Commissioner General and Commissioner for Corporate Services is **Mrs. KANYANGEYO Agnes** who was formally the Deputy Commissioner for Planning and Research Department.

In addition, the Board of Directors appointed two new RRA senior managers and transferred one senior manager as follows:

- Mr. GAYAWIRA Patrick was appointed by the Board of Directors in its meeting convened on 3rd April 2019 as Deputy Commissioner for Small and Medium Taxpayers Office.
- Mrs. MUNEZERO Arlette Wiclef was appointed by the Board of Directors in its meeting convened on 27th June 2019 as Deputy Commissioner for IT/IS Department.
- Mr. DADA Richard, former Deputy Commissioner for Small and Medium Taxpayers Office was transferred by the Board of Directors in its meeting convened on 3rd April 2019 to the Revenue Investigation and Enforcement Department as Deputy Commissioner.

V.2.2.10 Staff integrity management

Disciplinary investigations on 32 cases involving 48 staff members were carried out and completed. Of these, 28 employees were sanctioned including 5 dismissals (representing 17.9% of total sanctioned compared to 45.5% in 2017/18), while 24 were acquitted. The 48 staff members' cases involved the following malpractices:

a) 8 were accused of facilitating tax evasion.
b) 7 were accused of connivance with taxpayers to evade taxes.
c) 12 were accused of failing to abide by rules and regulations.
d) 10 were accused of illegal issuance of entry cards.
e) 11 were accused of other forms of malpractices.

Out of the 48 staff summoned and investigated, 5 were dismissed compared to 20 dismissed in 2017/18, one officer received suspension for one month without pay, 2 received warnings while 24 were acquitted. By end of the year, the remaining 16 cases were waiting for the SMT decision.

V.3 STRENGTHEN INTERNAL CONTROL SYSTEMS

During the 2018/19 fiscal year, all **22** planned audit assignments were finalised and 2 ad hoc audit assignments were also completed. In total, **258** audit recommendations were raised from the finalised audit assignments. However, only 26 were being tracked for implementation purposes, 232 remaining were captured in the implementation matrix for July 2019.

The implementation of the internal, external and Quality Management System audit recommendations was reviewed on a regular basis.

Out of **267 internal audit recommendations** issued in 2013/14, 2014/15, 2015/16, 2016/17, and 2017/18 fiscal years that were still open at the beginning of 2018/19 fiscal year: 140 were fully implemented, representing **52.4%** of the total; 83 partially implemented, **31.1%** of the total; while 44 recommendations had not been implemented by the end of 2018/19, **16.5%** of the total. In addition, **26** other internal audit recommendations were issued in 2018/19 fiscal year of which **3** were fully implemented, **7** partially implemented while **16** recommendations had not been implemented by the end of 2018/19.

The implementation of the Auditor General's recommendations was reviewed on a regular basis within concerned departments. However, there was a low rate of implementing them. At the end of 2018/19 fiscal year, out of **137 Auditor General's recommendations** for 2013/14, 2014/15 and 2016/17 audit periods that were still open at the beginning of 2018/19 fiscal year: 60 were fully implemented, representing **43.8%** of the total; 55 were partially implemented, **40.1%** of the total; and 22 had not been implemented by the end of 2018/19, **16.1%** of the total.

In order to continue the improvement of Quality Management System (QMS) to comply with ISO 9001:2015 requirements, the implementation of QMS audit recommendations for the previous periods was reviewed. Out of 111 corrective actions that were still open at the beginning of 2018/19 fiscal year, 89 (**80.2%**) were fully implemented, 9 (**8.1%**) were partially implemented, while 13 (**11.7%**) had not been implemented as of 30th June 2019.

V.4 ENHANCEMENT OF RISK MANAGEMENT AND IMPLEMENTATION OF TAX COMPLIANCE IMPROVEMENT PLAN

During 2018/19, the following activities were carried out in order to enhance risk management and implement the tax compliance improvement plan:

a) Corporate Risk Management Department identified risks for each operational department, analysed and prepared risk assessment reports shared with concerned departments for appropriate compliance actions. Some of these reports help in planning of tax audits in both DTD and CSD and ensuring that tax auditors focus on the areas of greater risk. The overall risk rule and other different risk rules have been used to identify risk cases in Domestic Tax and Customs Services Departments based on the different criteria agreed upon with operational departments through risk management committee meetings.

b) The tax compliance improvement plan for 2018/19 approved in June 2018 was implemented and implementation progress reports were produced on quarterly basis. Compliance actions planned for the construction, hotels, bars, restaurants and information and telecommunication sectors were implemented at **95%** as of end June 2019 against a target of 85%. As taxpayers are classified in risk levels for better targeted interventions, the overall objective of compliance interventions included in the tax compliance improvement plan is to influence

the compliance behaviour of targeted group as opposed to traditional tax audit which is backwards looking and aiming at influencing individual compliance behaviour.

c) In addition, the fourth tax compliance improvement plan for 2019/20 was developed, approved by the Senior Management Team meeting held on 27th June 2019 for launch on 1st July 2019. The plan will focus on two main parts i.e. general compliance interventions and sector specific compliance interventions. The general compliance interventions are focusing on four areas of tax compliance obligations i.e. registration, filling, payment and accurate reporting. The specific compliance interventions are focusing on information and communication sector, hotels, bars and restaurants activities, importers and customs brokers. This will done through undertaking various initiatives targeting to influence the current taxpayers' compliance behaviour through community interaction, education seminars, capacity building, advisory visits and strong enforcement measures for intentional noncompliance attitude.

d) The implementation of risk mitigation strategies was monitored and evaluated and reports were produced on quarterly basis. The final evaluation done by respective risk management committee meetings showed that implementation level of overall risk mitigation strategies was **80%** as of end June 2019 against a target of 70%.

V.5 PARTNERSHIP WITH REGIONAL AND INTERNATIONAL BODIES

RRA continued to cultivate partnerships with different institutions at the regional and international levels. This resulted in building internal capacity, mutual assistance, information exchange and promoting RRA's image at different forums. In 2018/19, RRA had the following partners:

Department for International Development (DFID), European Union (EU), International Monetary Fund (IMF), Her Majesty's Revenue and Customs (HMRC), Trade Mark East Africa (TMEA), Japanese Agency for International Cooperation (JICA), Korea International Cooperation Agency (KOICA), German Development Agency (GIZ), African Tax Administration Forum (ATAF), International Growth Center (IGC), International Centre for Tax and Development (ICTD), United States Treasury - Office of Technical Assistance (OTA), Norwegian Tax Administration, East Africa Revenue Authorities (EARA), South African Revenue Service (SARS), Carnegie Mellon University (CMU), Africa Institute for Mathematical Sciences (AIMS), International Computer

Driving License-Africa (ICDL), World Customs Organization East and Southern Africa Regional Office for Capacity Building (WCO-ESA ROCB), AECOM International Development Europe SL, Rwanda Freight Forwarders Association (RWAFFA) and Overseas Development Institute (ODI).

Key areas of intervention of the above partners include the following:

Strengthening of IT systems through direct support to RRA Public Financial Management Sub fund, human resource performance management, trade facilitation projects, EBM Version 2, enhancing local government revenue collection, staff capacity building in key areas of tax administration (e.g. audit of specialised sectors), international taxation, research in taxation, tax revenue analysis and forecasting, tax audit and debt management, risk management, tax investigation, data science, customs valuation, business re-engineering of taxpayer services and customs clearance procedures.

VI. RRA'S EXPENDITURE FOR FISCAL YEAR 2018/19

The total RRA revised budget for the 2018/19 fiscal year was **Frw 50.2 billion** and RRA's expenditure was **Frw 48.9 billion**, which is **97.4%** of the annual budget, resulting in an under spending of Frw 1.3 billion. The main reasons for this under spending are: delay in procurement process for the rehabilitation of RRA, NEC and OAG complex not yet completed by the year-end and delays in tender process of some funded projects i.e. integration of Data Warehouse and Business Intelligence with e-tax as well as Taxpayer Accounts Reconciliation and Update, leading to delays in their implementation.

Based on the total expenditure (including capital expenditure), RRA registered a cost of collection of **3.3%**; when considering only operating expenditure, the cost of collection was **3.2%.** A summary of the RRA's budget and expenditure in 2018/19 fiscal year is shown in **Table 20** below:

Table 20: Total RRA budget and expenditure in 2018/19

Expenses	Revised budget FY 2018/19 (Frw)	Actual FY 2018/19 (Frw)	Variance (Frw)	Performance (%)
Compensation of Employees	23,152,384,562	23,023,849,361	128,535,201	99.4%
Use of Goods and Services	16,861,260,423	16,259,000,025	594,906,398	96.4%
Social Assistance	12,673,678	7,089,908	5,583,770	55.9%
Other Expenses	8,323,804,160	8,425,865,622	(97,761,462)	101.2%
Total Operating Expenses	***48,350,122,823***	***47,715,804,916***	***631,263,907***	***98.7%***
Capital Expenditure	***1,873,467,180***	***1,196,146,918***	***680,374,262***	***63.7%***
Total Expenses	**50,223,590,003**	**48,911,951,834**	**1,311,638,169**	**97.4%**

Source: RRA, 2019

VII. KEY CHALLENGES FACED BY RRA DURING 2018/19 FISCAL YEAR

Despite its good performance registered, Rwanda Revenue Authority faced some challenges that hindered its performance and service delivery. The main ones are highlighted below:

VII.1 Low tax compliance culture by some taxpayers

Although the tax compliance kept increasing over time, some taxpayers did not declare and pay their due taxes or intentionally lowered the taxable base to evade taxes. In addition, some VAT registered taxpayers were reluctant to use the Electronic Billing Machines despite it being one of the most effective tools to collect accurate tax liability information in real time. Also fraud and smuggling remained a challenge to revenue mobilization initiatives. Alcoholic drinks (wines and liquors), worn clothes, used shoes, ibitenge and salsa were the lead products with high frequency for fraud and smuggling during the course of the year.

VII.2 Insufficient allocated budget to clear VAT refund backlog

According to the Law No 37/2012 of 9/11/2012, on code of value Added Tax, a taxpayer whose VAT input tax exceeds VAT output tax should be refunded within a period not exceeding three (3) month. Also according to the Law No 6/2015 of 28/3/2015 relating to investment promotion and facilitation, the refund of Value added tax by the investor should be made within a period not exceeding 15 days.

However, there are some VAT refund claims that were not refunded within specified time frame due to cash flow (insufficient VAT retention) and resources to audit the VAT refund backlog. To ease the payment, the Ministry of Finance and Economic Planning raised (from July 2018) the VAT threshold from 10% to 12% and this allowed only payment of the current VAT refund claims. Also in 2018/19 fiscal year MINECOFIN allocated to RRA a special budget worth Frw 8 billion to pay VAT refund arrears. However, this amount is not sufficient to clear completely backlog up to June 2018.

Of the total VAT refund backlog amounting to 49.1 billion, RRA had paid out Frw 12.1 billion while Frw 37.0 billion were not yet paid as of end June 2019. RRA continues to engage the Ministry of Finance and Economic Planning to increase amount of the special budget to handle the VAT refund backlog.

VIII. WAY FORWARD / FUTURE FOCUS

During 2019/20, RRA will implement various initiatives in line with its mandate in order to deliver 4 strategic outcomes: improved customer service, enhanced tax compliance, improved employee engagement and development and strengthened the organisational capacity. All these are aligned to the RRA strategic goal of optimising revenue collection.

2019/20 is a unique fiscal year for RRA where a Future Operating Model is being designed in order to adapt RRA to future demands and opportunities to support national development and to build RRA to become the employer of choice. It will also be the base year for RRA to set the course for its next strategic priorities.

The overall revised revenue target for 2019/20 has been set at **Frw 1,646.3 billion** (**Frw 1,559.0 billion** for RRA tax, **Frw 67.3 billion** for Local Government Tax and Fees and **Frw 20.0 billion** for RRA non-tax revenue). Within the context of registered achievements to date and the current challenges, RRA will continue its ongoing ambitious reforms and will implement various administrative measures to improve revenue mobilisation and achieve revenue targets.

Our major focus will be on, but not limited to, the following key activities:

1. Develop and implement online access of taxpayers' account (My RRA).
2. Introduce customized provision of tax information for persons with disabilities.

3. Design and periodically update RRA Frequently Asked Questions database.
4. Use data matching and identify potential taxpayers to be registered.
5. Initiate a voluntary disclosure scheme for registered and non-registered businesses.
6. Carry out a taxpayer behaviour survey.
7. Evaluate the effectiveness of tax audit and investigation functions.
8. Scope the model of partnering with other Government Agencies in using investigation forensic laboratory.
9. Update all tax account data and allocate suspense accounts to proper accounts.
10. Roll out the electronic tax stamp management system to all relevant taxpayers.
11. Introduce usage of Smartphone application to check the authenticity of tax stamps and monitor the forged stamps.
12. Implement consumer incentives to increase EBM compliance.
13. Enhance and implement the EBM 2 ecosystem.
14. Implement and evaluate the pilot phase of EBM extension to non-VAT registered taxpayers.
15. Implement the use of Electronic Cargo Tracking System in central corridor.
16. Implement the Electronic Single Window Phase 2.
17. Conduct skills gap analysis.
18. Develop the RRA capacity development strategy.
19. Establish coaching and mentoring framework.
20. Undertake a feasibility study and develop business case for expanding RRA Training Institute.
21. Implement the succession planning policy.
22. Embed effective performance management practices
23. Establish counselling services.
24. Develop a program for embedding RRA values
25. Implement the ISO 9001:2015 standards.
26. Implement the ISO/IEC 27001:2013 standards (Information Security management Systems) at RRA.
27. Develop and implement knowledge management strategy.
28. Review and implement human resources management strategy.
29. Review risk management policy.

30. Adopt IPSAS accrual accounting system in line with GoR public financial management system.
31. Rehabilitate the RRA/NEC/OAG complex.
32. Design the RRA's Future Operating Model.
33. Enhance local government management system, e-tax system and data warehouse & BI system.
34. Develop the data science strategy.
35. Conduct impact assessment of Electronic Cargo Tracking system project.
36. Review corporate and departmental Key Performance Indicators.

IX. CONCLUSION

In 2018/19 fiscal year, RRA registered a tax revenue performance of **101.9%** resulting in a tax revenue growth of **13.4%** compared to collections in 2017/18 fiscal year. This achievement of revenue target confirms the potential that RRA has, to effectively mobilize the revenue needed to finance Rwanda's development goals and to ultimately ensure that Rwanda becomes self-reliant.

Several factors contributed to this performance. Macroeconomic conditions were better than expected, with real GDP growth above the forecasted rate and inflation below what was predicted. This was further reflected in strong turnover growth and high government spending. Importantly, the agriculture sector performed well and ensured that consumption remained robust, despite the underperformance of excise duty for some products.

As taxpayers had the right to pay income tax on the following working day, when the deadline fell on a weekend, Frw 3.6 billion for CIT and PIT was paid on the 1st and 2nd July 2019.

RRA expects to maintain good records it registered in previous years. This requires staff commitment and refocusing attention on key strategic areas that impact on revenue performance. It is important to identify likely areas where revenues may be evaded or avoided and deal with them. Other key administrative measures need to be enhanced in order to provide appropriate solutions that will ensure sustainability of RRA performance. RRA will follow-through with the implementation of action plan 2019/20 and strategic plan 2019/20-2023/24 to enable achieve the set targets.