

REPUBLIC OF RWANDA
RWANDA REVENUE AUTHORITY
P.O. BOX 3987 KIGALI



TAXES FOR GROWTH AND DEVELOPMENT

ANNUAL ACTIVITY REPORT
2019/20

OCTOBER 2020

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LIST OF ABBREVIATIONS

AEO	Authorised Economic Operators
ASYCUDA	Automated System for Customs Data
Bn	Billion
CIF	Cost Insurance and Freight
CIT	Corporate Income Tax
COVID-19	Coronavirus Disease-19
CSD	Customs Services Department
DLP	Data Loss Prevention
DTD	Domestic Tax Department
DWH&BI	Data Warehouse, Risk Management and Business Intelligence System
EAC	East African Community
EBM	Electronic Billing Machine
EBM V.2	Electronic Billing Machine Version Two
ESW	Electronic Single Window
EUCL	Energy Utility Corporation Limited
Frw	Currency symbol for the Rwandan Francs
G&S	Goods and Services
GDP	Gross Domestic Product
HVP Gatagara	Home de la Vierge des Pauvres Gatagara
IATA	International Air Transport Association
ICPAR	Institute of Certified Public Accountants of Rwanda
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IPPIS	Integrated Payroll and Personnel Information System
ISIC	International Standard Industrial Classification
ISMS	Information Security Management System
IT	Information Technology
LG	Local Government
LGMT	Local Government Tax Management system
LTO	Large Taxpayers Office
MINECOFIN	Ministry of Finance and Economic Planning
NEC	National Electoral Commission
NFR	Non-Fiscal Revenue
NISR	National Institute of Statistics of Rwanda
NST	National Strategy for Transformation
OAG	Office of Auditor General of Rwanda
PAYE	Pay As You Earn
PIT	Personal Income Tax
POS	Point-Of-Sales
PSF	Private Sector Federation
QMS	Quality Management System
RI&ED	Revenue Investigation and Enforcement Department
RRA	Rwanda Revenue Authority
RURA	Rwanda Utilities Regulatory Authority
SDC	Sales Data Controller
SIGTAS	Standard Integrated Government Tax Administration System

SMS	Short Message Service
SMTO	Small and Medium Taxpayers Office
TAC	Tax Advisory Council
TADAT	Tax Administration Diagnostic Assessment Tool
TIN	Tax Identification Number
TMEA	Trade Mark East Africa
TVR	Television of Rwanda
UAT	User Acceptance Tests
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar (the currency of United States)
VAT	Value Added Tax
V-SDC	Virtual Sales Data Controller
WASAC	Water and Sanitation Corporation
WHT	Withholding Tax

FOREWORD BY THE CHAIRPERSON OF THE BOARD OF DIRECTORS



As Chairman of the Board of Directors, I am pleased to present the annual activity report for Rwanda Revenue Authority for the fiscal year ending June 2020. The report gives an account of the RRA's performance during the fiscal year.

During the 2019/2020 fiscal year, total revenue collections for the national treasury (tax and non-tax) were Frw 1,516.3 billion, against a target of Frw 1,589.0 billion. The collections were Frw 72.8 billion below target, performing at 95.4%. This was mainly due to business disruption for both domestic and international trade due to the global lockdown response to COVID-19 pandemic. Despite the fact that the revenue collections were below target, a growth in revenue of Frw 93.4 billion (6.6%) was registered compared to the 2018/19 fiscal year.

Tax revenue performance of 2019/20 fiscal year was mainly driven by the favorable economic conditions in July-December 2019. However, the economic environment changed significantly since the January 2020 and the outbreak of COVID-19 made it even more challenging.

On behalf of the Board of Directors, I extend our gratitude to the Government of Rwanda for the continuous guidance in the execution of our duties and demonstrating strong support for the organization in difficult times.

I would like also to express my gratitude and appreciation to the RRA Management, all staff and stakeholders including taxpayers for their efforts and contribution to the recorded performance and to overcome challenges encountered. We promise to work hand-in-hand to support affected businesses to recover and thrive.

A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned above the printed name.

MURANGWA Yusuf
Chairperson of RRA Board of Directors

FOREWORD BY THE COMMISSIONER GENERAL



With great pleasure, I take this opportunity to share with you, the RRA's achievements during the 2019/20 fiscal year that is first of our strategic plan covering the period 2019/20 to 2023/24. The year under review was a challenging one both to the business community and to RRA as well due to the covid-19 pandemic that hit the entire world. This substantially affected businesses and the corresponding taxes.

The total revenue collection (tax and non-tax, excluding local government collections) amounted to Frw 1,516.3 billion against the target of Frw 1,589.0 billion which is an achievement of 95.4%, and a shortfall of Frw 72.8 billion below the target. Local Government collections totalled Frw 62.0 billion, an achievement of 90.8% of the Frw 68.2 billion target and a shortfall of Frw 6.3 billion. This represents year-on-year growth of 2.3% and a nominal increase of Frw 1.4 billion.

Despite the challenges encountered, 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 and enhancement of EBM V.2. In addition, provision of tax education and information programs were intensified to encourage voluntary compliance.

I would like to express my appreciation to the Government of Rwanda and RRA Board of Directors for the support and strategic guidance extended in helping us to overcome the challenges encountered. I would also like to express my heartfelt thanks and appreciation to all RRA staff members for the continuous dedication and commitment. Finally, I extend my gratitude to all taxpayers who continue to comply with their tax obligations as we push towards self-reliance. I am sure that with the co-operation of all stakeholders, RRA is well prepared to rise up to the challenges posed by the covid-19 pandemic going into the future.

A handwritten signature in blue ink, appearing to be 'Bizimana Ruganintwali Pascal'. The signature is stylized and cursive.

BIZIMANA RUGANINTWALI Pascal
Commissioner General

EXECUTIVE SUMMARY

Tax revenue performance of 2019/20 fiscal year was mainly driven by the favorable economic conditions in July-December 2019. However, the economic environment changed significantly since the January 2020 and the outbreak of COVID-19 made it even more challenging. The economy was projected to grow by **8.2%** during 2019/20 fiscal year but instead achieved an average growth rate of **2.3%** as indicated by data released by the National Institute of Statistics of Rwanda.

The total revenue collection (both tax and non-tax, excluding local government collections) amounted to Frw 1,516.3 billion against the target of Frw 1,589.0 billion which is an achievement of 95.4%, and a shortfall of Frw 72.8 billion below the target.

Local Government taxes and fees collections totalled Frw 62.0 billion, an achievement of 90.8% of the Frw 68.2 billion target and a shortfall of Frw 6.3 billion. This represents year-on-year growth of 2.3% and a nominal increase of Frw 1.4 billion.

With regard to administrative measures, the total number of taxpayers increased to 229,497; a year-on-year growth of 18.3% with newly registered taxpayers contributing Frw **20.6** billion. Tax audit cases concluded by domestic tax department were 25,392 including desk audits, raising additional assessment (principal only) of Frw 34.5 billion before appeals. The customs services department completed 121 post-clearance audit cases with additional assessment of Frw 1.0 billion. Two hundred twenty-six (226) tax investigation cases were finalised, with an additional tax assessment of Frw 6.3 billion. Total recovery of tax arrears amounted to Frw 88.5 billion (Frw 60.1 billion from DTD and Frw 28.4 billion from CSD).

Improvement was made in usage of the Electronic Billing Machines. As of end June 2020, **23,910** registered taxpayers had EBMs, annual growth of 14.1% over 12 months. In addition, the number of taxpayers having EBM V.2 increased to 9,771 from 6,286 as of end June 2019. The number of taxpayers having EBM V.2 accounted for 40.8% of total number of taxpayers having EBMs.

Great effort was made in improving service delivery and enhance tax compliance. These include, among others, intensification of tax education and information programs, monitoring of non-filers and non-payers, enhancement of EBM V.2, enhancement of e-tax system and local government tax management system, integration of e-tax system with the local government tax management 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, including network performance improvement, maintenance of IT environment and installation of a data loss prevention system.

Based on the total expenditure, RRA registered a cost collection ratio of 3.9% (including capital expenditure) compared with 3.3% registered in previous fiscal year.

RRA had some challenges that hindered its performance and service delivery. The main ones include covid-19 outbreak and associated mitigation measures that had a large impact on economic activity and a significant bearing on numerous tax heads, high domestic tax arrears, low tax compliance culture by some taxpayers and insufficient allocated budget to clear all VAT refund backlog.

Within the context of registered achievements to date and the current challenges, RRA will continue funding public services for a better future in Rwanda and will work hand-in-hand with its stakeholders and the taxpaying community to support affected businesses to recover and thrive.

I. REVENUE PERFORMANCE FOR 2019/20 FISCAL YEAR

The **total revenue collection** (both tax and non-tax, excluding local government collections) for 2019/20 fiscal year amounted to **Frw 1,516.3 billion** against the target of **Frw 1,589.0 billion** which is an achievement of **95.4%**, and a shortfall of **Frw 72.8 billion** below the target.

Tax revenue collection for 2019/20 fiscal year was **Frw 1,494.8 billion** while the target was **Frw 1,569.0 billion**; this is an achievement of **95.3%**, and **Frw 74.2 billion** below the target. Compared to **Frw 1,399.5 billion** collected in 2018/19 fiscal year, additional revenue of **Frw 95.3 billion** was collected (or a growth of **6.8%**).

Non-tax revenue collected by RRA during 2019/20 fiscal year amounted to **Frw 21.4 billion** compared to the target of **Frw 20.0 billion**, performing at **107.2%**. Compared to the 2018/19 fiscal year, the non-tax revenue collected was **Frw 2.0 billion** lower, representing a decrease of 8.4%.

Local Government (LG) taxes and fees collections totalled **Frw 62.0 billion**, meaning an achievement of **90.8%** of the **Frw 68.2 billion** target and a shortfall of **Frw 6.3 billion**. This represents year-on-year growth of **2.3%** and a nominal increase of **Frw 1.4 billion**. Details are shown in **Table 1**.

Table 1: RRA revenue performance against targets for 2019/20 fiscal year (billion Frw)

Categories of tax	Target 2019/20	Actual 2019/20	Variance	Performance rate	Actual 2018/19	% change 2019/20	Nominal increase
Total revenue	1,589.0	1,516.3	-72.8	95.4%	1,422.9	6.6%	93.4
Non-tax revenue	20.0	21.4	1.4	107.2%	23.4	-8.4%	-2.0
Total tax revenue	1,569.0	1,494.8	-74.2	95.3%	1,399.5	6.8%	95.3
* Direct taxes	670.5	656.3	-14.2	97.9%	597.7	9.8%	58.6
* Taxes on G & S	776.3	720.1	-56.2	92.8%	690.0	4.4%	30.0
* Taxes on Int'l Trade	122.2	118.4	-3.7	96.9%	111.7	6.0%	6.7
LGT	68.2	62.0	-6.3	90.8%	60.6	2.3%	1.4

Source: RRA, 2020

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 however, Quarter 3 (Jan-Mar 2020) and Q4 (Apr-June 2020) failed

to meet their targets and Q4 registered a negative growth (-11.7%) compared to the same period last year, as shown in **Figure 2**.

Figure 1: Trend analysis of net revenue collection from 2015/16 to 2019/20

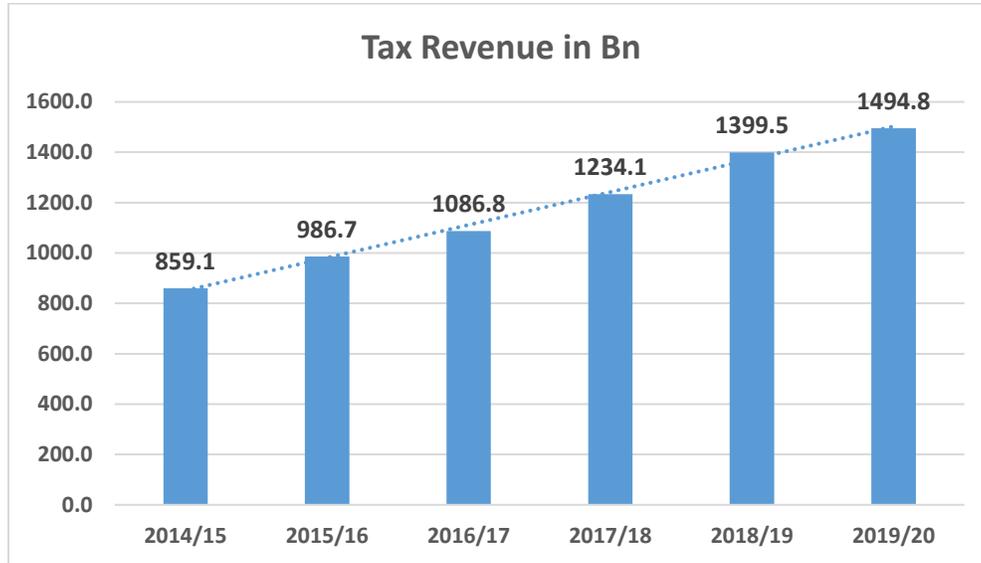
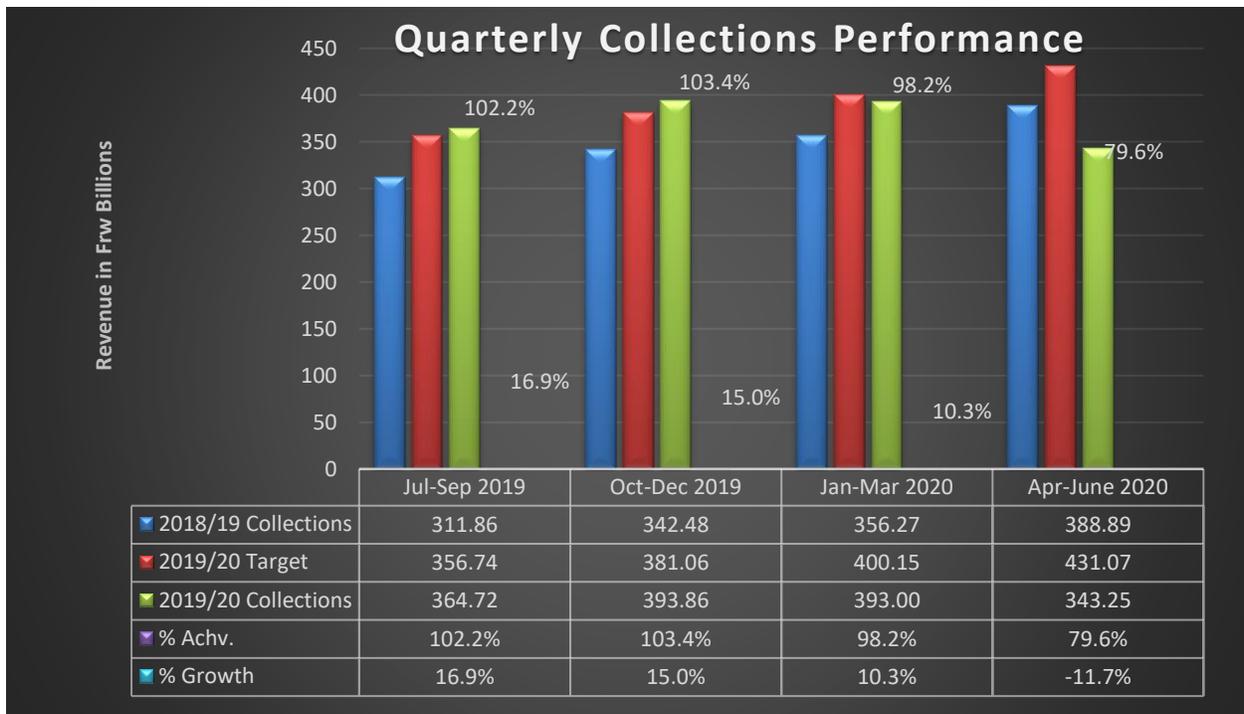


Figure 2: Quarterly tax revenue performance



I.1 MAIN FACTORS THAT AFFECTED REVENUE PERFORMANCE

Nominal tax revenue grew by **6.8%** in 2019/20 fiscal year, below the **13.4%** growth recorded in 2018/19 fiscal year and the **12.4%** average growth realised in the last three fiscal years. This growth was affected by the following factors:

a) Economic environment for 2019/20 fiscal year

Tax revenue performance of 2019/20 fiscal year was mainly driven by the favorable economic conditions in July-December 2019. The economic environment has changed significantly since the January 2020 and the outbreak of COVID-19.

- i)* The economy was projected to grow by **8.2%** during 2019/20 fiscal year and the data released by the National Institute of Statistics of Rwanda shows a year-on-year growth of **10.9%, 8.4%, 3.4%** and **-12.6%** for the quarter 1 (July-September), quarter 2 (October-December), Quarter 3 (January-March) and Quarter 4 (April-June) of 2019/20 respectively (an average of **2.3 %** for 2019/20 fiscal year).
- ii)* Overall customs performance was mainly attributed to the good economic conditions of the first semester (July-December 2019) where the CIF growth was **16.3%** against a projected growth of **12.3%**. However, the second semester (January to June 2020) was disrupted by the advent of COVID-19. Imports fell by **28.2%** in Q4 (April-June 2020) compared to April-June 2019¹.
- iii)* Turnovers decreased **31.3%** in March-May 2020 (the tax period for declarations made in April-June 2020), in comparison to a **15.2%** increase in July-December 2019. The temporary closure of businesses in March-May 2020 had a substantial impact on business turnover in that period.
- iv)* The good performance of the businesses in calendar year 2019 led to a strong performance for CIT and PIT (exceeding the target by **Frw 3.3 billion**), recording a growth of **25.1%**

¹ RRA system data or imports for home consumption.

higher than the **7.1%** growth recorded in 2018/19 fiscal year and **16.8%** average growth recorded in previous three fiscal years.

v) Petroleum imports for local consumption decreased to **57.6%** in April-June 2020. This resulted in the underperformance of all taxes on petroleum products – specifically excise on petroleum, fuel levy and strategic reserves levy.

vi) Local government revenue was adversely affected by the delays in implementing the new property tax law and covid-19 pandemic.

vii) **Inflation** stood at **6.1%** in 2019/20 fiscal year. This was mainly driven by the high growth of **8.3%** in January-June 2020 from high price indices of 15.5% for “Food and non-alcoholic beverages”, likely caused by supply side shortages. Since prices for essential goods were high, consumers had less to spend on luxury goods and this negatively affected the VAT and excise duty collections in January-June 2020. **Table 2** below shows inflation, tax revenue growth in nominal terms and tax revenue growth in real terms for July-June over the last five years.

Table 2: Inflation and Tax Revenue Growth for 2015/16-2019/20

FY	Tax Revenue in Billion Frw	Nominal Tax Revenue Growth	Inflation Rate	Real Tax Revenue Growth
2019/20	1,494.8	6.8%	6.1%	0.7%
2018/19	1,399.5	13.4%	0.8%	12.5%
2017/18	1,234.1	13.5%	2.3%	11.0%
2016/17	1,086.8	10.2%	6.8%	3.1%
2015/16	986.7	14.8%	4.1%	10.3%
2014/15	859.1			

Source: RRA and NISR, 2020

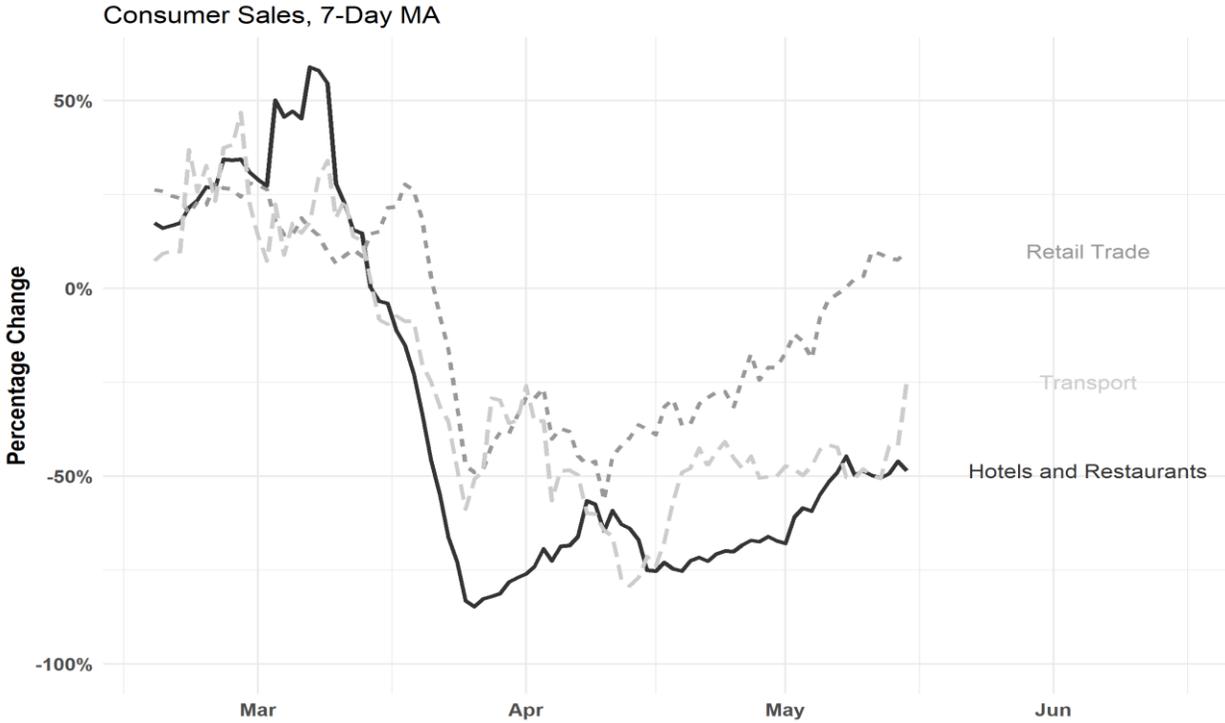
b) Impact of COVID-19

On the 14th of March 2020, Rwanda confirmed its first case of COVID-19. On the same day, containment measures were introduced limiting public gatherings, guidelines on movement and postponement of weddings and other ceremonies. One week later, on the 21st of March 2020, to further contain the virus, a full lockdown was implemented. Travel was subsequently limited to

essential activities, which lasted for a period of seven weeks, until the 4th of May 2020 when these restrictions were eased. Though necessary to suppress the transmission of the virus, these measures have a significant bearing on numerous tax heads.

Though the restrictions are now starting to lift, the COVID-19 outbreak and associated mitigation measures had a large impact on economic activity in Q4 (April-June 2020). Though necessary to suppress the transmission of the virus, this restriction in economic activity had a significant bearing on numerous tax heads. **Figure 2** above shows how tax revenue was affected by the COVID-19; collections achieved **98.2%** of the target in Q3 (January-March 2020) and **79.6%** in Q4 (April-June 2020).

Figure 3 below shows how sales to consumers in Rwanda changed as a result of the pandemic. Where some sectors have started recovering along this dimension (retail trade) other sectors (hotels and restaurants) had and continued to hover around 50% below their pre-pandemic levels. Continued depressed sales below their level in January are reflected the challenges in revenue collection over the period.



I.2 TAX REVENUE PERFORMANCE BY TAX HEADS

Analysis on tax revenue performance for 2019/20 fiscal year by tax head is shown in **Table 3**.

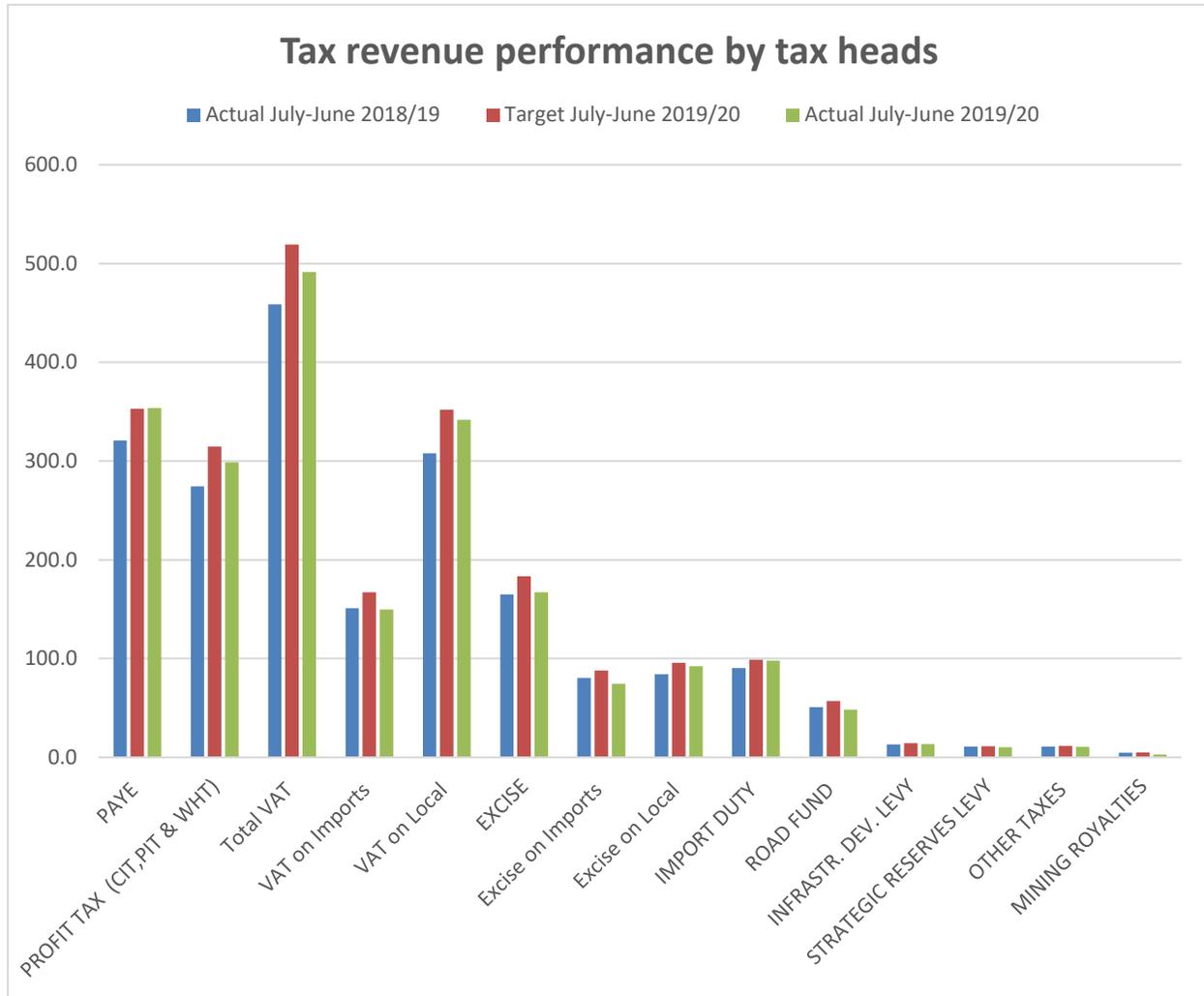
Table 3: Tax revenue performance by tax heads (value in billion of Frw)

Tax heads	Target 2019/20	Actual 2019/20	Variance	% Achievement	Actual 2018/19	% Change	Nominal increase
PAYE	353.0	353.7	0.7	100.2%	320.8	10.2%	32.9
PROFIT TAX (CIT,PIT & WHT)	314.8	298.9	-15.9	94.9%	274.4	8.9%	24.5
VAT	519.3	491.5	-27.7	94.7%	458.7	7.2%	32.8
Imports	167.2	149.6	-17.6	89.5%	150.8	-0.8%	-1.2
Local	352.1	341.9	-10.2	97.1%	307.9	11.1%	34.0
EXCISE	183.5	167.0	-16.4	91.0%	164.9	1.3%	2.1
Imports	87.8	74.6	-13.2	85.0%	80.6	-7.4%	-6.0
Local	95.7	92.4	-3.3	96.6%	84.3	9.5%	8.0
MINING ROYALTIES	5.0	2.8	-2.2	56.5%	4.7	-40.3%	-1.9
IMPORT DUTY	99.0	98.0	-1.0	99.0%	90.4	8.4%	7.6
ROAD FUND	57.2	48.4	-8.8	84.6%	50.7	-4.6%	-2.3
STRATEGIC RESERVES LEVY	11.4	10.3	-1.1	90.6%	10.9	-5.7%	-0.6
INFRASTR. DEV. LEVY	14.3	13.5	-0.9	94.0%	13.0	3.5%	0.5
OTHER TAXES	11.6	10.7	-0.9	92.2%	10.8	-0.6%	-0.07
TOTAL TAX	1,569.0	1,494.8	-74.2	95.3%	1,399.5	6.8%	95.3

Source: RRA, 2020

The following bar graph shows collections for 2019/20 and 2018/19 fiscal years, and the 2019/20 targets for each tax head.

Figure 4: Tax revenue performance by tax heads



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.

1.2.1 DIRECT TAXES

In summary, direct taxes for the 2019/20 fiscal year performed at **97.9%**, which represented a deficit of **Frw 14.2 billion**, a nominal increase of **Frw 58.6 billion** and growth rate of **9.8%** when compared with 2018/2019 fiscal year. Further breakdown shows that:

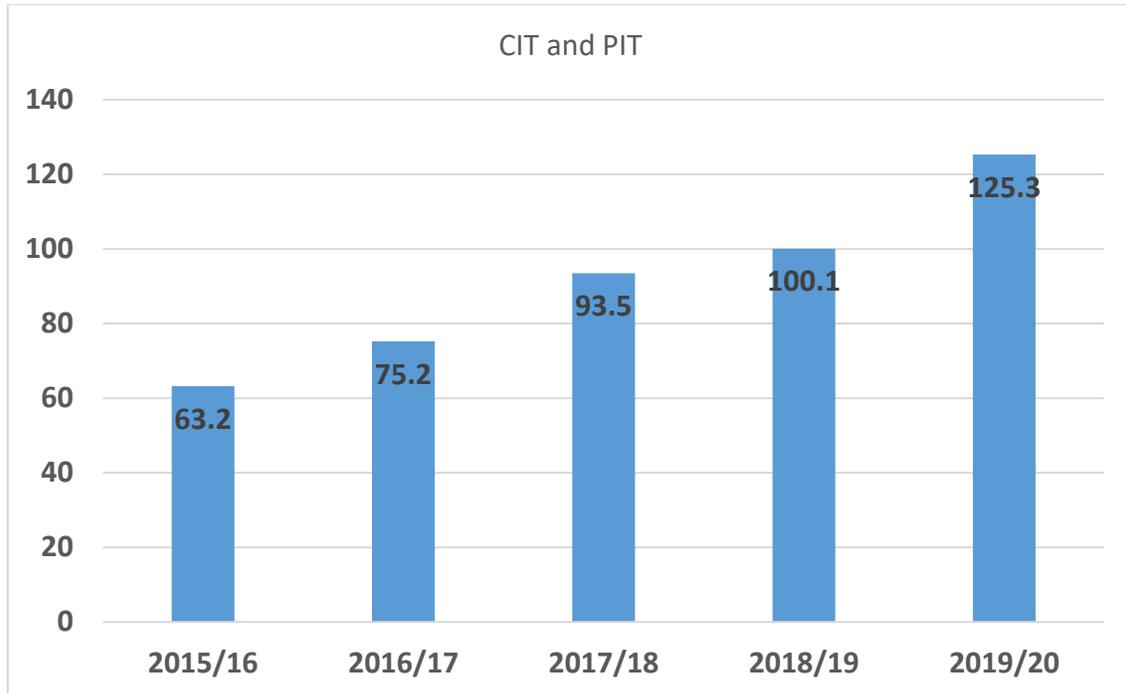
I.2.1.1 Profit taxes (CIT, PIT and WHT)

The total profit tax collection for CIT, PIT & WHT in 2019/20 fiscal year was **Frw 298.9 billion** while we targeted **Frw 314.8 billion**, resulting in a shortfall of **Frw 15.9 billion** against the target and an achievement rate of **94.9%**. Overall profit tax collections grew by **8.9%** with a nominal increase of **Frw 24.5 billion** when compared with 2018/19 fiscal year.

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

Corporate income tax (CIT) and personal income tax (PIT) recorded a performance of **102.8%**, which amounted to **Frw 125.3 billion** against a target of **121.9 billion**, surpassing it by **Frw 3.4 billion**. When compared with collection of 2018/19 fiscal year, CIT-PIT collections grew by **25.2%**, which is higher than the projected growth of **21.8%** and nominal increase of **Frw 25.2 billion**. **Figure 5** shows profit tax (CIT and PIT) revenue collections trend from 2015/16 to 2019/20 fiscal years.

Figure 5: Profit tax (CIT and PIT) revenue collections trend from 2015/16 to 2019/20



In the 2019/20 fiscal year some companies and individuals increased their payments compared to 2018/19 fiscal year. On looking at declarations value, there are some companies and individuals that increased their balance due and others reduced. Considering actual payments, some companies increased while others reduced.

In terms of business sectors, the increments and declines were as follows in comparison to last fiscal year: Manufacturing increased by 5.3 billion, Information and Communication increased by 3.3 billion, Construction increased by 1.9 billion, Administration and support services activities increased by 0.5 billion and Art, entertainment and recreation increased by 0.2 billion. Other Services Activities sector reduced by 1.6 billion, Transport and Storage reduced by 0.9 billion, Education reduced by 0.5 billion, Electricity, Gas and Remediation Services reduced by 0.2 billion and Financial and Insurance Activities reduced by 0.2 billion.

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

In 2019/20 fiscal year, WHT 15% and WHT 3% collections totalled Frw **152.64 billion**, against a target of **Frw 169.0 billion**, a deficit of **Frw 16.6 billion**. Compared with 2018/19 fiscal year, WHT collections decreased by 0.5% which is lower than the projected growth of 10.0%.

For the period of January-June 2019/20, WHT 15% and WHT 3% collections totalled Frw **85.7 billion**, against a target of **Frw 96.2 billion**, a deficit of **Frw 10.5 billion**. Compared with January-June 2018/19, WHT collections recorded a decrease of 6.6% while the projected growth was 5.5%. The deficit was more pronounced during the second half of the 2019/20 fiscal year (the period of January to June 2020 recorded -6% growth), where economic activities were affected by the COVID -19 pandemic. **Figure 6** and **Table 4** below display performance of WHT 15% and 3% for FY 2019/20 and January-June 2020 compared with FY 2018/19.

Figure 6: Performance of WHT 15 % & 3 % for July-June 2019/20 and Jan-June 2020

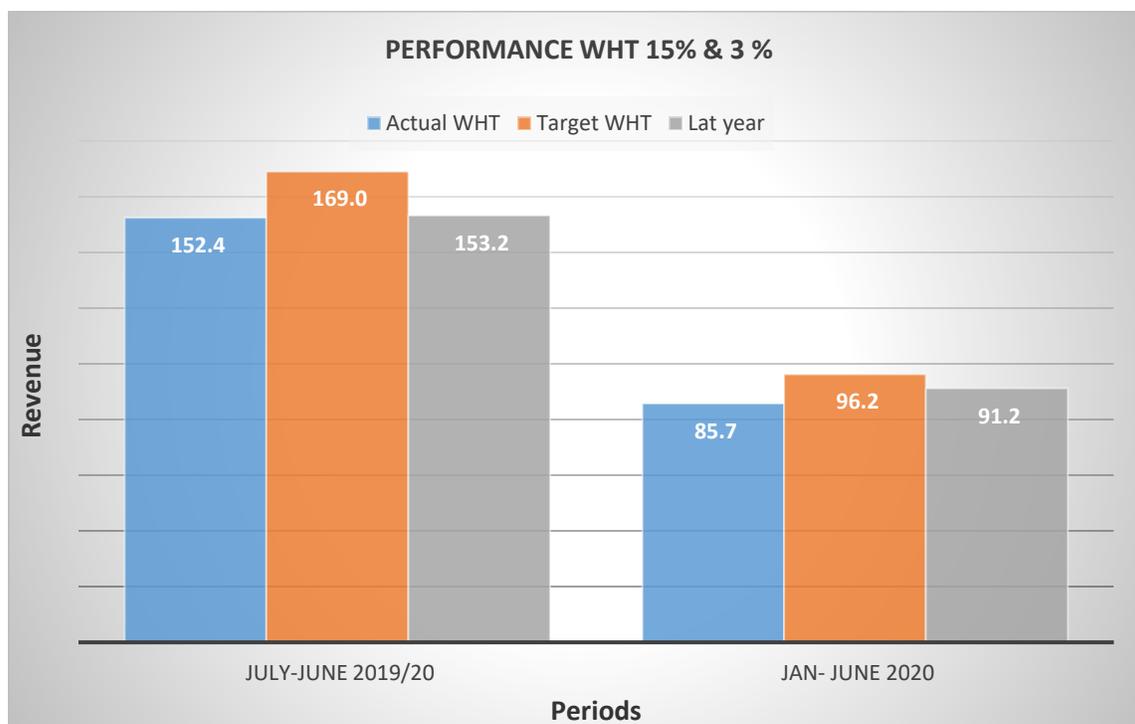


Table 4: WHT 15% & 3% collections for FY 2019/20 and January-June 2020 (in Bn Frw)

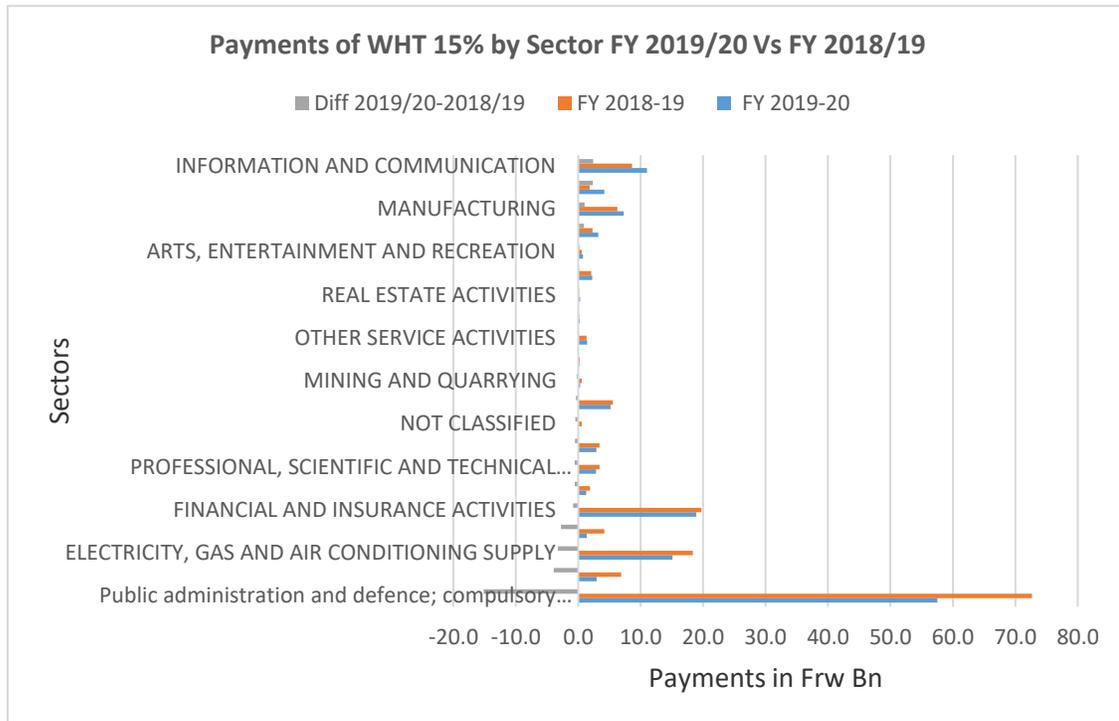
Periods	Actual WHT	Target WHT	Last year	% achievement	Shortfall	Growth	Projected Growth
FY 2019/20	152.4	169.0	153.2	90.2%	(16.6)	-0.5%	10.3%
Jan- June 2020	85.7	96.2	91.2	89.1%	(10.5)	-6.0%	5.5%

Source: RRA, 2020

a) WHT 15 % by sector

The analysis of WHT 15% by sector shows a sharp decrease in some sectors while a few sectors recorded a moderate increase as displayed in **Figure 7** below.

Figure 7: Payments of WHT 15% by Sectors

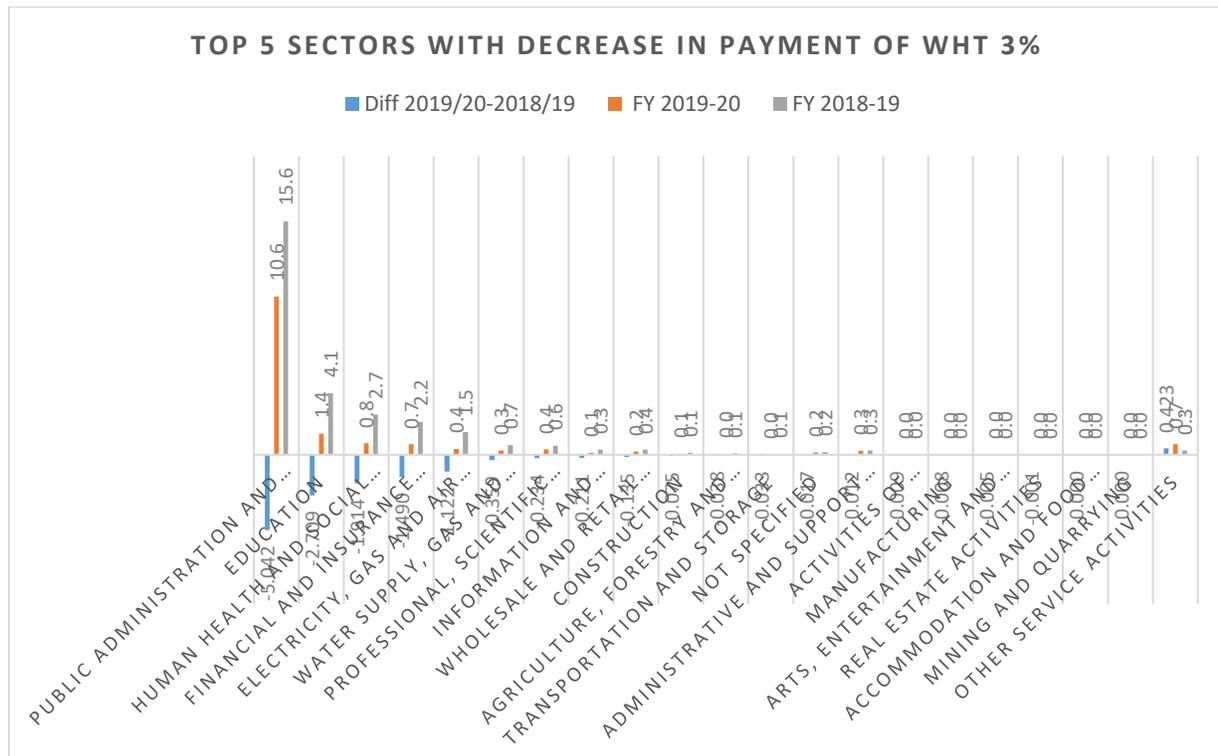


- Top decreases were observed in Public administration and defense; compulsory social security, Water Supply, Gas and Remediation services; Electricity, Gas and Air Conditioning Supply; Human Health and Social Work Activities and Financial and Insurance Activities; whose payments of WHT 15% decreased respectively by **Frw 15.1 bn** (equivalent to -20% decrease), **Frw 3.9 bn** (-57% decrease), **Frw 3.2 bn** (-17.7% decrease), **Frw 2.8 bn** (-66.8 decrease) and **Frw 0.8 bn** (-4.2% decrease) in July 2019 - June 2020 compared to July 2018/June 2019. The decreases in payments of WHT 15% were mainly attributed to the effects of COVID-19 pandemic on economic activities in the 2019/20 fiscal year.
- Some few sectors recorded a moderate increase, led by Information and Communication, Administrative and Support service, Manufacturing and Construction; which respectively recorded increases in WHT payments of 15% - **Frw 2.4 bn** (equivalent to 41% growth), **Frw 2.3 bn** (16.5% growth), **Frw 1.0 bn** (126.6% growth) and **Frw 0.9 bn** (27.8% growth) in 2019/20 fiscal year compared to 2018/19 fiscal year.

b) WHT 3% by sector

The analysis of WHT 3% by sector shows a deep decrease in all sectors except the “Other Service Activities” which recorded a moderate increase of Frw 0.4bn (equivalent 152.8% growth).

Figure 8: Top 5 sectors decreased in payments of WHT 3%



Top decreases were observed in Public Administration and Defence & Compulsory Social Security; Education; Human Health and Social Work Activities; Financial and Insurance Activities; Electricity, Gas and Air Conditioning Supply; whose WHT payments of 3% decreased respectively by Frw 5.0bn (equivalent to -32% decrease), Frw 2.7bn (-65.7% decrease), Frw 1.9bn (-71% decrease), Frw 1.4bn (-67% decrease) and Frw 1.1bn (-73% decrease) in 2019/20 fiscal year compared to 2018/19. The decreases in WHT payments of 3% were mainly attributed to the effects of COVID-19 pandemic on economic activities of 2019/20 fiscal year.

c) 5% Withholding tax

Withholding tax 5% totalled **21.1bn**, a shortfall of **21.6%** on the 23.9bn target (equivalent to 2.8bn), and grew by **0.2%** when compared with 2018/19 fiscal year.

I.2.1.2 Pay As You Earn (PAYE)

- i.* PAYE for 2019/20 fiscal year amounted to **Frw 353.7 billion** against a target of **Frw 353.0 billion**, an excess of **Frw 0.7 billion** over the target and achievement of **100.2%**. Compared with 2018/19 fiscal year, PAYE tax collections grew by **10.2%**, slightly below the growth of **13.9%** achieved in previous year and the **11.8%** average growth realized in the last three fiscal years. The performance was primarily due to increases in payments by some companies in the period of July-March.
- ii.* The July-March period totaled Frw **267.8 billion** which is an achievement of **102.4%**. The revenue collection from PAYE for this period was mostly driven by companies which either increased employment levels, or paid performance bonuses. These companies were Rwanda Revenue Authority, Banque Nationale du Rwanda, Rwanda Social Security Board, Rwanda Education Board, National Institute of Statistics in Rwanda, University of Rwanda, Rwanda National Police, Rwanda Polytechnic, MTN, I&M Bank, Bank of Kigali, WASAC and EUCL.
- iii.* The April-June payments amounted to **Frw 85.8 billion**, an achievement of **92.2%**. This underperformance was driven by companies in the hotel sector where their number of employees decreased by 75% and private schools where number of employees declared decreased by 100%, as well as other decreases in salaries and employment in other sectors. **Table 5** below shows the total number of employees declared during July-February and March-June 2019/20 compared with the same periods of 2018/19.

Table 5: Number of employees declared

Periods	Number of employees	
	July-Feb	March-June
FY 2019/20	356,567	262,265
FY 2018/19	260,382	271,020
Growth	36.9%	-3.2%

Source: RRA, 2020

I.2.1.3 Tax on property

Collections from tax on property for 2019/20 fiscal year were **Frw 3.8 billion** against a target of **Frw 2.8 billion**, an excess of **Frw 1.0 billion** and achievement of **135.7%**. Compared to 2018/19 fiscal year, tax on property collections had a nominal increase of **Frw 1.2bn** and a growth of **52.1%**.

I.2.2 TAXES ON GOODS AND SERVICES

Taxes on goods and services in 2019/20 fiscal year performed at **92.8%**, registering a shortfall of **Frw 56.2 billion**, and realising a growth rate of **4.4%** compared to the projected growth of **12.5%**. Details of the performance of taxes on goods and services are explained below.

I.2.2.1 Excise taxes

Revenue from excise duty amounted to **Frw 167.0 billion** against a target of **Frw 183.5 billion**. Collections were **91.0%** of the target, a growth of **1.3%** from the **Frw 164.9 billion** collected in 2018/19 fiscal year. Excise duty on beer and excise duty on fuel were the major contributors to this tax head, with a contribution of 37% and 32% respectively. Excise on soft drinks, airtime and wines & liquor contributed 8%, 7% and 7% respectively. The rest of the revenue was from excise duty on tobacco, vehicles and powdered milk.

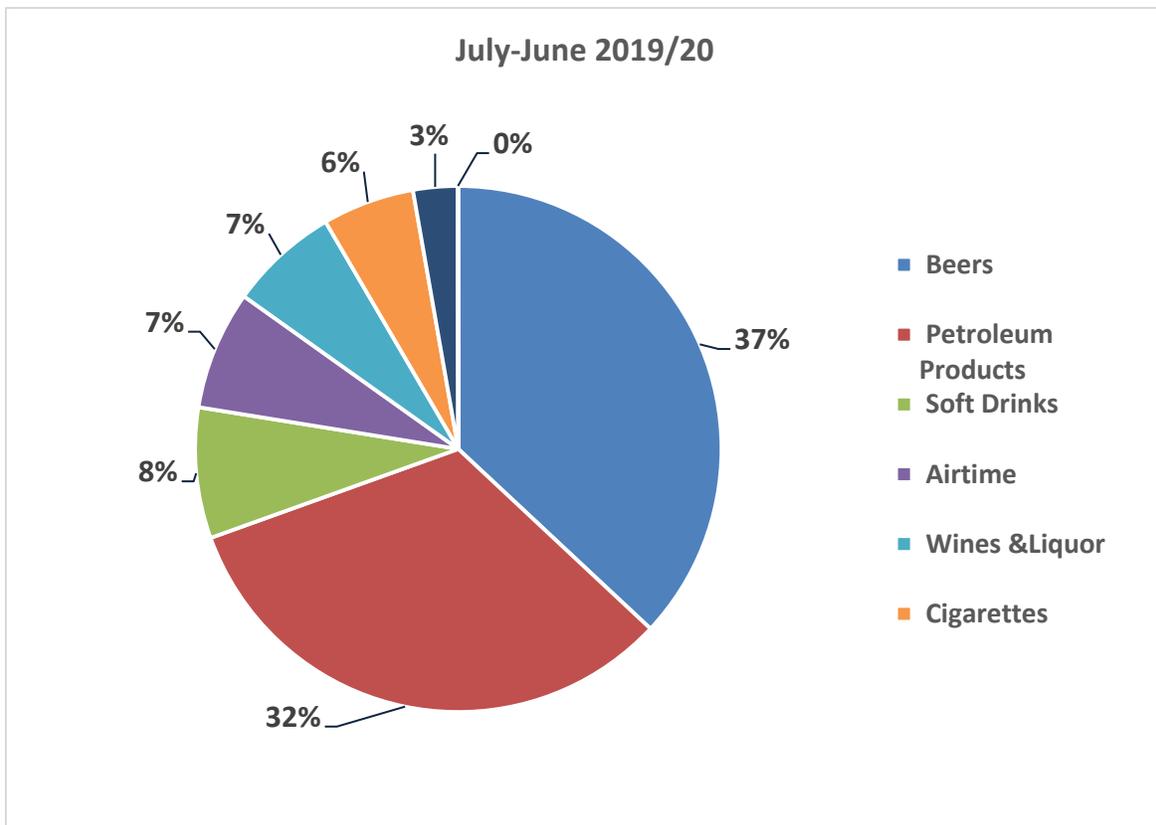
The closure of non-essential retail (bars, restaurants, entertainment), the restrictions in tourism sector, and the full lockdown of from 21st March to 4th May 2020 (with the closure of public transport are the major reason of the underperformance of excise duty. Petroleum imports for local consumption decreased to 57.6% in April-June 2020. **Table 6** and **Figure 9** illustrate the performance by product and the relative contributions of each product.

Table 6: Excise duty collections by product

	FY 2019/20 Target	FY 2019/20 Actual	% achievement	FY 2018/19 Actual	Growth
Total Excise duty (Domestic and Customs)	183.5	167.0	91.0%	164.9	1.3%
Beers	64.7	61.7	95.5%	57.8	6.8%
Petroleum products	63.0	54.3	86.2%	56.9	-4.5%
Soft drinks	15.4	13.4	87.3%	13.5	-0.8%
Airtime	13.7	12.2	89.4%	12.2	0.4%
Wines & Liquors	9.8	11.2	114.8%	10.6	6.5%
Cigarettes	12.1	9.4	77.8%	9.2	2.2%
Vehicles	4.7	4.5	96.9%	4.7	-3.4%
Powdered Milk	0.1	0.1	78.3%	0.1	-4.8%

Source: RRA, 2020

Figure 9: Percentage share of excise by products



A. Domestic excise taxes

Domestic excise taxes for 2019/20 fiscal year totalled **Frw 95.6 billion**, recording a shortfall of **Frw 3.3 billion** to the set target of **Frw 92.4 billion**. This is an achievement of **96.6%** and a growth of **9.5%**, which is below the projected growth of **13.4%**.

B. Excise taxes on imports

Excise taxes on imports totalled **Frw 74.6 billion**, recording a shortfall of **Frw 13.2bn** on the target (**Frw 87.8 billion**) and registering an achievement of **85.0%** and a decrease of **7.4%**, compared to the projected growth of **8.9%**.

I.2.2.2 Net VAT collections

Net VAT collections for 2019/20 fiscal year totalled **Frw 491.5 billion** against a target of **Frw 519.3 billion**; an achievement of **94.7%** (missing by **Frw 27.7 billion**), with a growth of **7.2%** (i.e. nominal increase of **Frw 32.8 billion**), compared to a projected growth of **13.2%**.

The first semester (July-December 2019) had a better performance, where net VAT collections achieved **108.7%** of the target, i.e. an excess of **Frw 21.0 billion**.

However, the second semester (January-June 2020) was gravely affected by COVID-19; net VAT collections were **Frw 228.7 billion** against a target of **Frw 277.5 billion** which is an achievement rate of **82.4%**.

A. Domestic VAT collection

Domestic VAT collection for 2019/20 fiscal year totalled **Frw 341.9 billion** against a target of **Frw 352.1 billion**, registering an achievement of **97.1%**, missing the target by **Frw 10.2 billion**. There was a growth of **11.1%** when compared with 2018/19 fiscal year, which was below the projected growth of **14.4%**; while the average growth realised in last three fiscal years was **13%**.

Net domestic VAT collections for January-June 2020 were **Frw 162.7 billion** against a target of **Frw 193.5 billion**; this is the achievement of **84.1%** (missing the target by **Frw 30.7 billion**).

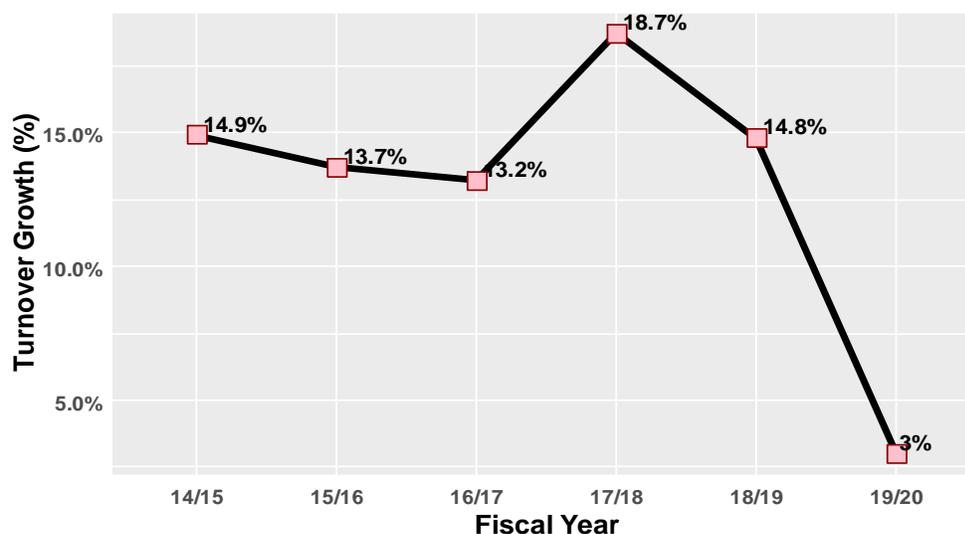
Following are some of the reasons behind the poor performance of VAT during 2019/20 fiscal year:

A.1 Decline in VAT turnover growth

VAT turnover growth dropped from **14.8%** in 2018/19 fiscal to **3%** in 2019/20 fiscal year, as shown in **Figure 10**. All major sectors (ISIC division level classification) declined in performance growth compared to the previous periods due to COVID-19 effect as explained below.

- i) Wholesale and retail trade:* which contributes 42% to the total turnover, decreased in turnover by **Frw 28.4 billion** in 2019/20 fiscal year compared to an increase of **Frw 448.1 billion** realised in 2018/19. This is a negative Y-o-Y growth of 1.0% from a growth of 18.1% noticed in 2018/19. In general, most taxpayers registered under ***Wholesale and Retail trade; Repair of motor vehicles and motorcycles*** declared decreases in their turnovers, specifically in January-June 2020. Mainly, large petroleum wholesalers are behind the poor performance of 2019/20 fiscal year.
- ii) Financial Services:* In 2019/20 fiscal year, total turnover growth for financial services decreased by 4.8% compared to the increase of 17.5% recorded in 2018/19, i.e. nominal decrease of **Frw 32.3 billion** vs an increase of **Frw 100.1 billion** released in 2018/19 fiscal year. This was driven by decrease in turnover from three financial companies.
- iii) Accommodation and food service activities:* total turnover for this sector (hotels, bars and restaurants) decreased by **4.4%** (equivalent to **Frw 8.1 billion**) in 2019/20 fiscal year compared to an increase of 24.6% (**Frw 36.7 billion**) in 2018/19 fiscal year.
- iv) Real Estate activities:* The total turnover for *real estate activities* decreased by **Frw 9.0 billion** compared to an increase of **Frw 12.0 billion** recorded in 2018/19 fiscal year. The two top companies were behind this decrease.

Figure 10: VAT turnover growth for July-June



In addition to businesses and sectors whose turnovers grew, all other businesses that experienced positive growth rates in 2019/20 fiscal year, those growths were lower than the ones released in 2018/19 fiscal year. Moreover, the most affected period was between March and June 2020 which coincided with the lockdown and controlled operating environment to limit the spreading of COVID-19.

A.2 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 decline. The VAT turnover growth was **3%** in 2019/20 (compared to **14.8%** in the previous fiscal year). Much as exempted sales declined in growth to **1.2%** from **26.3%** in 2018/19 fiscal year due to COVID-19 effect, its contribution to total turnover is still high with **33%**. The share of zero-rated sales to total turnover increased from **4.9%** in 2018/19 fiscal year to **6.5%** in 2019/20 fiscal year. Taxable sales as a percentage of turnover, as seen in **Figure 11**, increased rather slowly from **57.8%** in 2018/19 fiscal year to **58.9%** in 2019/20 fiscal year mainly due to the decrease happened in exports as percentage of turnover. Exports decreased from **3.6%** in 2018/19 fiscal year to **1.6%** in 2019/20 fiscal year.

The major contributors of the significant composition of exempted sales to total turnover are petroleum wholesalers (like Societe Petroliere and Oryx Oil), Rwandair and the financial sector. Despite the fact that a large number of taxpayers registered under these sectors were affected by COVID-19 hence a decline in their turnovers, most of these sectors sales are generally always exempted. **Figure 11** shows taxable and non-taxable sales as percentage of turnover.

Figure 11: Taxable and non-taxable sales as a percentage of turnover



B. VAT collections on imports

VAT collections on imports totalled **Frw 149.6 billion** in 2019/20 fiscal year, compared to a target of **Frw 167.2 billion**. This is the achievement of **89.5%** (missing by **Frw 17.6 billion**), with a negative growth of **0.8%** (equivalent to nominal decrease of **Frw 1.2billion** year-on-year) when compared to 2018/19 fiscal year, while the average growth realised in the last three fiscal years was **11.5%**. The poor performance of VAT collections on imports was related to the decrease in imports due to the effect of COVID-19, which is discussed in the section on customs taxes.

I.2.2.3 Road Maintenance Fund

Road maintenance fund collections totalled **Frw 48.4 billion** against a target of **Frw 57.2 billion**, registering an achievement of **84.6%** and recorded a decrease of **4.6%** compared to the average growth of **11.0%** recorded in previous three fiscal years. Again, the main reason for this underperformance was attributed to reduced imports of petroleum for local consumption in April-June 2020 that decreased to **57.6%**.

I.2.2.4 Mining Royalties

Revenue collection from mining royalties amounted to **Frw 2.8 billion** against a target of **Frw 5.0 billion**; which is an achievement of **56.5%**. Compared to the 2018/19 fiscal year, this was a decrease of **40.3%**, which was lower than the average growth of the previous last three fiscal years of **14.3%**. **Mining royalties** performed poorly as Mining companies such as Tawotin, Minerals Supply Africa and Gisande Trading all reduced their declarations of base metals in 2019/20 fiscal year compared to the previous year.

I.2.2.5 Strategic Reserves Levy

Revenue collection from Strategic Reserves Levy totalled **Frw 10.3 billion**, recording a shortfall of **Frw 0.4 billion** against a target of **Frw 10.7 billion**, with an achievement of **90.6%** and a decrease of **5.7%**. The Strategic Reserves Levy is taxed based on the number of the litres delivered, and the rate is Frw 32 per litre. Same reasons for reduced oil imports mentioned earlier affected the performance of this levy

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 118.4 billion** in 2019/20 fiscal year, achieving **96.9%** of the **Frw 122.2 billion** target and representing **6.0%** growth on the previous fiscal year.

I.2.3.1 Import duty collections

Import duty collections increased **8.4%** (**Frw 7.6 billion** nominal) to **Frw 98.0 billion** in the 2019/20 fiscal year. The target for the fiscal year was **Frw 99.0 billion**; collections fell short of the target by approximately **Frw 1.0 billion**.

I.2.3.2 Infrastructure Development Levy

Collections for infrastructure development levy totalled **Frw 13.5 billion**, recording a deficit of **Frw 0.8 billion** below the target of **Frw 14.3 billion**, with an achievement of **94.0%** and a growth rate of **3.5%**. There are various exempted products² from this levy but which have been in place since the levy's introduced and therefore had not effected on performance.

I.2.3.3 African Union Import Levy

For 2019/20 fiscal year, African Union Levy collections totalled **Frw 1.72 billion** against a target of **Frw 1.87 billion**; an achievement of **92.2%**. 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.

Import CIF, excluding petroleum products, increased 3.2% in the 2019/20 fiscal year compared to the fiscal year 2018/19. This is a marked decline from the previous year, where CIF grew by 19.6% as displayed in **Figure 12** below.

² 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

Figure 12: Growth in import taxes and CIF (2018 – 2019)

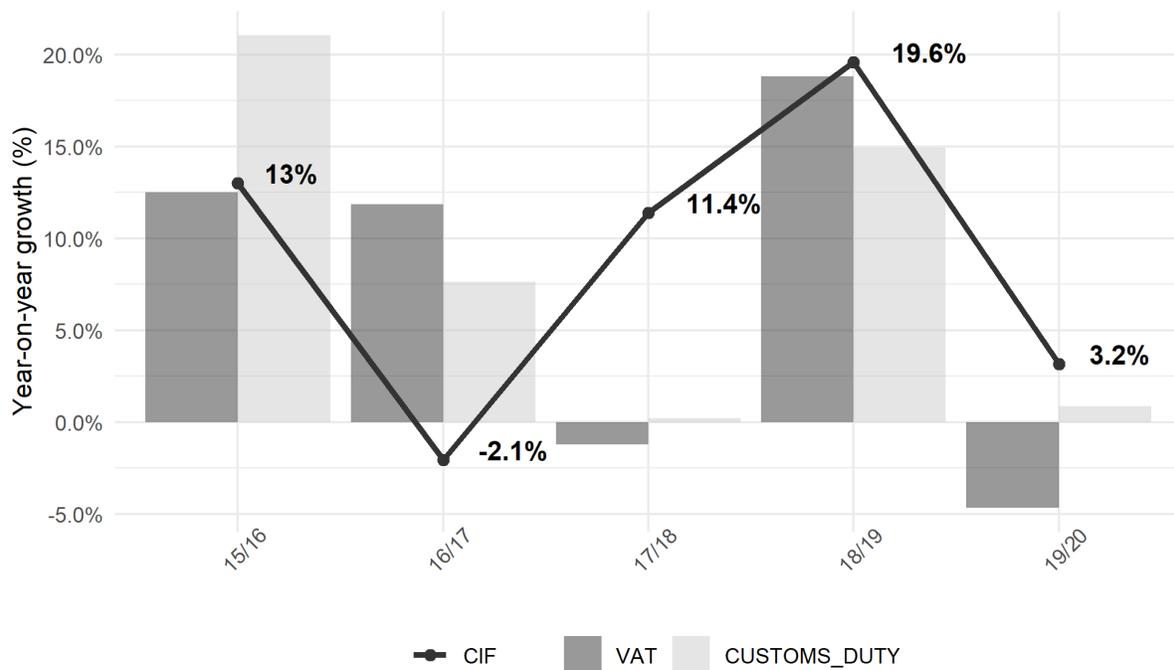
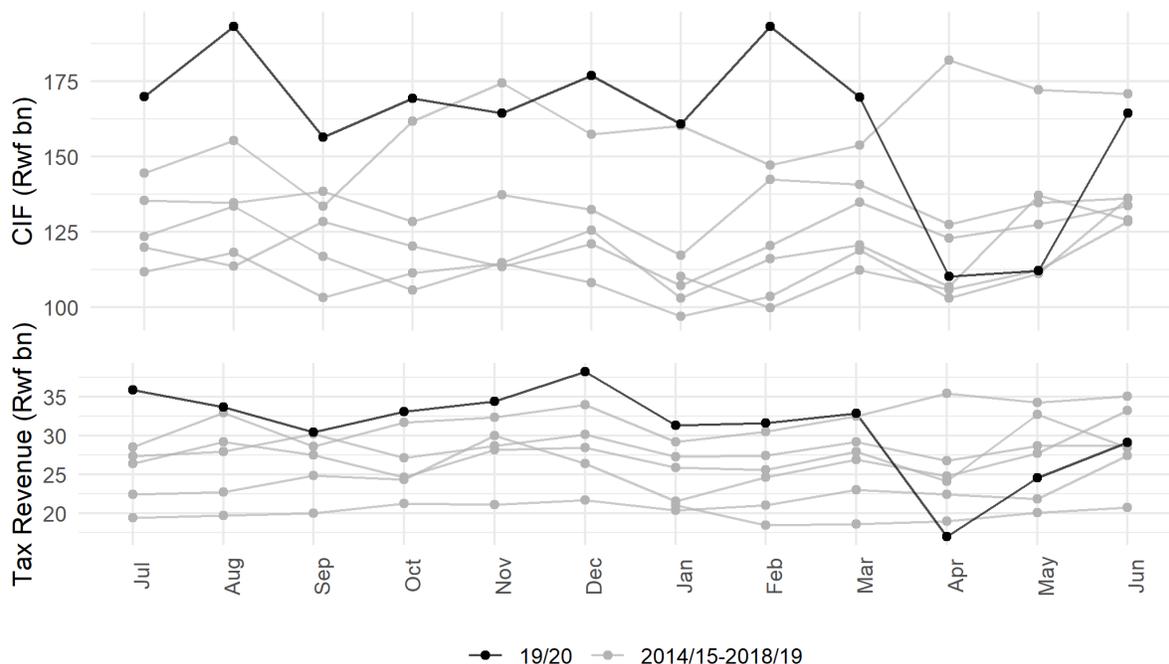


Figure 12 shows that there was a decrease in VAT collections in the year, but a slight increase in Customs Duty. This is due, in part, to the change in geographical composition of imports. This fiscal year, less imports came from within the EAC, which does not levy import duty on trade.

However, the overall annual trend obscured what was witnessed in the latter months of the year. **Figure 13** below shows the significant dip in imports in April and May, down to levels last seen in the 2014/15 fiscal year. Tax collections from these imports fell even further, to the lowest level in 7 years. While CIF has since recovered in June 2020 to near June 2019 figures, tax collections had not, and were 20% lower in comparison to June 2019.

Figure 13: Seasonality and COVID-19 Impact

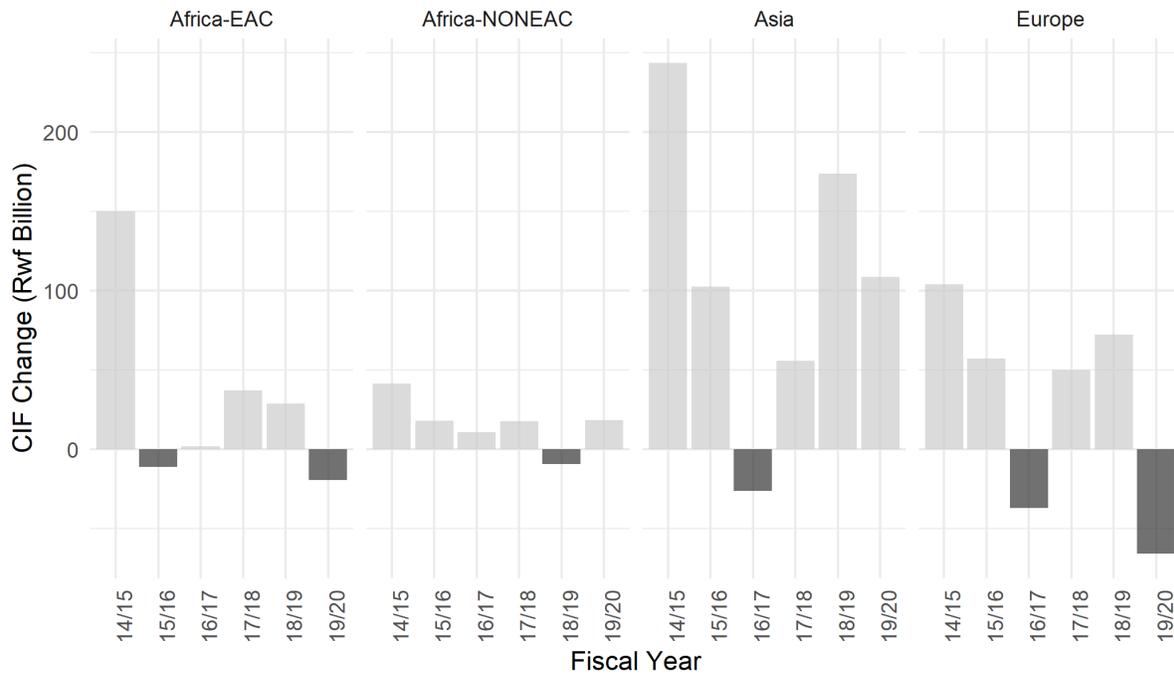


COVID-19 had an effect import origins. **Figure 14** below shows that in 2019/20 fiscal year, imports decreased from Europe and from within the EAC. The decrease in imports from EAC was primarily due to a **99.3%** drop in imports from Uganda, when compared to imports in 2018/19 fiscal year. This was caused by ongoing border disruptions, originating in February 2018. Imports from Tanzania and Kenya continued to increase (by about 20% in the year).

Supply chain disruptions appeared to have affected imports from Europe, perhaps due to the airport closure. Particularly pertinent here is import trade with Sweden and Germany, which fell by **81.2%** and **48.4%** respectively.

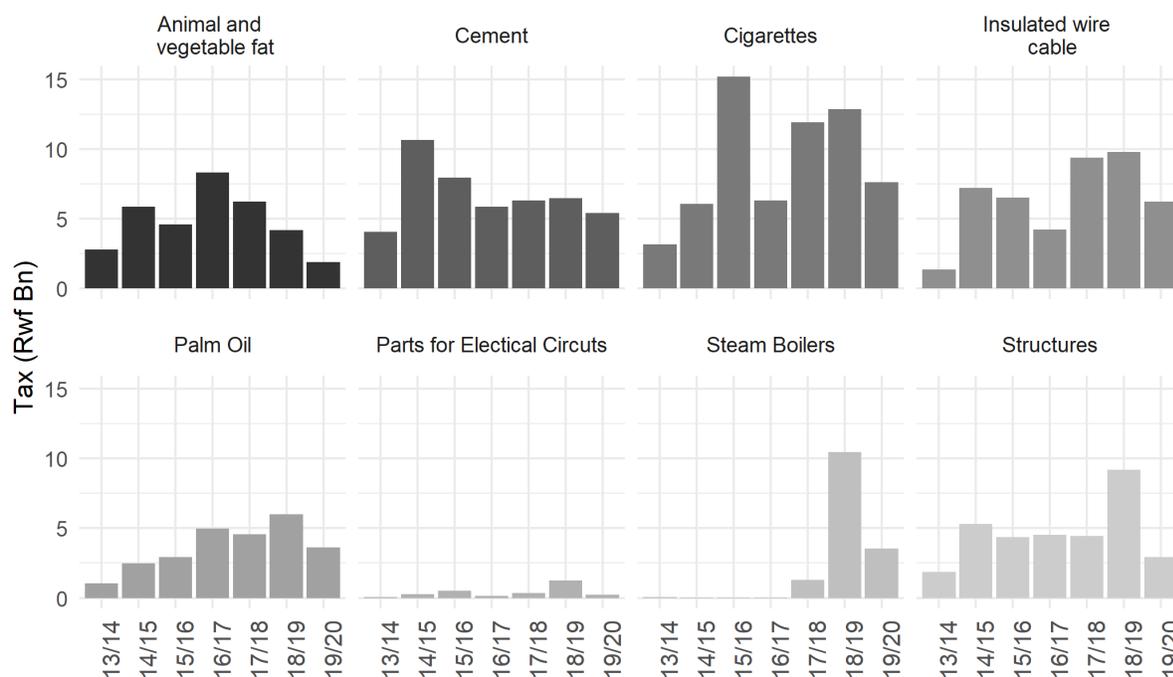
Import trade with Asia increased by more than **Frw 100 billion** in the year, primarily through China, wherefrom imports increased by **25.8%** compared to the 2018/19 fiscal year.

Figure 14: Geographic decomposition



Tax collection fell the most for the products described in **Figure 15** below. In particular, cigarettes, foodstuffs and construction materials contributed to the fall in tax revenue. This is reflective of the fall in purchasing power, and substitution away from non-essential goods. As well as this, the hold on imports of construction materials during the lockdown caused tax to fall from cable, structures and electrical parts.

Figure 15: Change in tax by product



II. ADMINISTRATIVE MEASURES THAT SUPPORTED REVENUE COLLECTION ACHIEVEMENT

During the 2019/20 fiscal year, RRA continued the implementation of 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 2019/20:

- a) Carried out field visits and sensitisation of taxpayers for registration using sector approach: Registration through sector approach focused on commercial houses, entertainment sector (decorators), tour guides and tour operators and construction projects. Subsequent to field visits and sensitization, 287 new taxpayers were registered from the above identified sectors.

- b) Through internal IT systems, used data matching and identified potential taxpayers to be registered for income tax, VAT and PAYE. Consequently, 10,269 new taxpayers that were not registered on a particular tax head and fulfilling conditions for registration were registered as follows; CIT/PIT: 10,025; VAT: 178 and PAYE: 66.

As a result of the above strategies, sensitization on taxpayer registration as well as voluntary registration, the number of new registered taxpayers during FY 2019/20 was **37,741**. Newly registered taxpayers for different tax types contributed **Frw 20.57 billion** in 2019/20 as indicated in **Table 7** below.

Table 7: The tax contribution of newly registered taxpayers in 2019/20

Tax Type	Number of newly registered taxpayers on tax type, who paid domestic tax in 2019/20 ³	Domestic tax paid by newly registered taxpayers in 2019/20 (billion Frw)	Total domestic tax paid by all domestic registered taxpayers in 2019/20 (billion Frw)	% contribution of tax paid by new registered taxpayers to total domestic tax paid in 2019/20
PAYE	1,586	3.15	353.7	0.9%
Profit Tax	1,742	0.58	172.8	0.3%
Excise	7	0.44	167.0	0.3%
VAT	1,451	8.14	341.9	2.4%
WHT on Public Supplies (other than VAT)	59	0.04	26.3	0.2%
Other WHT	623	8.22	126.1	6.5%
Total	5,468	20.57	1,187.8	1.7%

Source: RRA, 2020

In addition, as a result of taxpayers' registration activities mentioned above, the total number of taxpayers in the RRA tax register increased to **229,497** as of end June 2020. This represents a year-on-year growth of **18.3%** against a target of **12%**. However, **2,206** taxpayers were deregistered during 2019/20 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** (0.1% of the total); **843** are **medium taxpayers** (0.4% of the total) and **228,279** are **small or micro taxpayers** (99.5% of the total).

Regarding the percentage contribution of each category of taxpayers to total tax collection amounting Frw 1,494.8 billion, large taxpayers contributed **57.5% (Frw 859.2 billion)**, medium taxpayers' contribution was **12.1% (Frw 180.7 billion)**, while small taxpayers contributed **30.4% (Frw 454.9 billion)**.

In addition, **18,255** vehicles were newly registered during the 2019/20 fiscal year. This represents a year-on-year increase of 1.8% from the 17,936 that were newly registered in 2018/19 fiscal year; compared to 24.7% year-on-year increase that was recorded in 2018/19. The cumulative number of vehicles registered in the RRA system by the end of the 2019/20 fiscal year was **231,973⁴** from 213,718 by end of the 2018/19 fiscal year.

II.2 TAX AUDITS AND POST-CLEARANCE AUDITS

II.2.1 Small and Medium Taxpayers Office and RRA Provinces

During the 2019/20 fiscal year, total tax audits concluded by Small and Medium Taxpayer Office (SMTO) in Kigali were 150 (60 comprehensive and 90 issue audits) against 200 planned. In addition, 23,343 desk audit cases were conducted by SMTO (including desk audits for non-payers and non-filers).

The initial tax declared by all these cases totalled Frw 2.8 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 19.9 billion, an additional assessment of Frw **17.1 billion**. The average tax declared by all audited SMTO taxpayers including desk audit cases amounted to **14.1%** of the total re-assessed tax (principal only, before appeals).

RRA domestic tax offices in Provinces completed 149 tax audit cases (32 comprehensive and 117 issue audits) against 300 that were planned. In addition, 1,484 desk audit cases were conducted and completed by tax offices in Provinces.

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

The initial tax declared by all these cases concluded by domestic tax offices in Provinces totalled Frw 0.3 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 2.4 billion, an additional assessment of Frw **2.1 billion**. The average tax declared by all audited taxpayers in Provinces including desk audit cases amounted to **12.5%** 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 required some tax auditors to suspend comprehensive tax audits and focus on other functions e.g. property registration; and this greatly affected the performance of the audit plan. Also, lockdown due to COVID-19 had negative impact on implementation of tax audit plan.

II.2.2 Large Taxpayers Office

Out of 88 tax audit cases planned by large taxpayers' office in 2019/20 fiscal year, 64 were completed at final notice of assessment (59 comprehensive and 5 issue audits). In addition, 202 desk audit cases were conducted by LTO. As mentioned earlier COVID-19 pandemic and associated mitigation measures had negative impact on implementation of LTO audit plan. A big number of pending audit cases in the LTO audit plan that were ongoing were suspended from March 2020.

The initial tax declared by all audited large taxpayers totalled Frw 256.9 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 272.2 billion, an additional assessment of Frw **15.3 billion**. The average tax declared by audited LTO taxpayers amounted to **94.4%** of the total re-assessed tax (principals only, before appeals).

II.2.3 Customs Services Department

Customs Services Department (CSD) completed 121 post-clearance audit cases (80 comprehensive-related cases and 41 issue oriented cases) against 174 planned. The initial tax declared by all audited importers totalled Frw 110.1 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 111.1 billion, an additional assessment of Frw **1.0 billion**. The average tax declared by audited importers amounted to **99.1%** of the total re-assessed tax (principals only, before appeals).

II.3 COMBATING TAX EVASION

Revenue Investigation and Enforcement Department (RI&ED) completed 226 tax investigation cases (61 comprehensive-related cases, 160 immediate assessment cases and 5 customs investigation cases).

The initial tax paid by the investigated taxpayers totalled Frw 2.6 billion. However, the re-assessed tax (principals only, before appeals) totalled Frw 8.9 billion, an additional assessment of Frw 6.3 billion. The average tax declared by investigated taxpayers amounted to 29.2% of the total re-assessed tax (principals only, before appeals).

Through surveillance operations, 28 targeted operations and inspections were conducted in Kigali City, Rubavu, Musanze, Huye, Nyanza, Muhanga, Gakenke, Kabarondo, Kayonza and Rwamagana districts on smuggled goods, betting and gaming checking on 13% and 15% on withholding tax; therefore, a range of smuggled goods were impounded. The top five smuggled goods in 2019/20 included second hand clothes and shoes, liquors and wines, loin clothes (Ibitenge), beans and palm oil. Value of smuggled goods seized in 2019/20 amounted Frw 3.0 billion compared to Frw 1.9 of smuggled goods seized in 2018/19.

In addition, the Revenue Investigation and Enforcement Department continued to conduct verifications and enforcement of EBM usage in Kigali and provinces through VAT invoicing campaigns and searching fictitious or ghost companies selling EBM invoices.

Tax fraud is a serious offence and on conviction by the Court, a taxpayer may even be subject to imprisonment. In FY 2019/20, 17 tax fraud cases were forwarded to prosecution compared to 33 cases forwarded in 2018/19, of which 9 cases were submitted to Court, 6 were provisionally closed by Prosecution, 1 was still pending in Prosecution and 1 was returned to Rwanda Investigation Bureau for further investigation. Of the 9 cases submitted to Court by Prosecution, 2 cases were closed and all of them were won by RRA (found guilty). The remaining 7 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 60.1 billion. This represents a year-on-year growth of 31.5% from the Frw 45.7 billion collected in 2018/19 fiscal year.

Out of the tax arrears collected in 2019/20, Frw 17.1 billion (28.5%) came from the large taxpayers; and Frw 43.0 billion (71.5%) from the small and medium taxpayers. Domestic tax arrears collected accounted for 5.6% of the total domestic tax revenue collections in the 2019/20 compared to 4.7% in 2018/19. The arrears collections by tax type are displayed in **Table 8** below.

Table 8: Domestic tax arrears collections by tax type, in billions of Frw

Tax Type	2019/20	2018/19	Variance	% change
VAT	21.8	17.5	4.3	24.6%
INCOME TAX	20.7	7.0	13.7	195.7%
PAYE	9.7	7.0	2.7	38.6%
WHT	7.8	13.4	-5.6	- 41.8%
EXCISE TAX	0.01	0.07	-0.06	- 85.7%
MINERAL TAX	0.1	0.7	-0.6	- 85.7%
TOTAL	60.1	45.7	14.4	31.5%
<i>of which large taxpayers</i>	<i>17.1</i>	<i>17.9</i>	<i>-0.8</i>	<i>- 4.5%</i>
<i>of which small & medium taxpayers</i>	<i>43.0</i>	<i>27.8</i>	<i>15.2</i>	<i>54.7%</i>

Source: RRA, 2020

Despite efforts made in recovering tax arrears, there are still large amounts of unrecovered domestic tax arrears. Total stock of domestic tax arrears (large taxpayers, small and medium taxpayers) at the end of the 2019/20 fiscal year amounted Frw 293.5 billion. This represents a year-on-year growth of **10.0%** from the Frw 266.9 billion stock of arrears at the end of 2018/19. Details are displayed in **Table 9** 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 9: Stock of domestic tax arrears by category of taxpayers and by age, in Frw billion

Age of domestic tax arrears	Domestic tax arrears for large taxpayers at end of 2019/20	Domestic tax arrears for small and medium taxpayers at end of 2019/20	Total domestic tax arrears at end of 2019/20	Percentage share to total domestic tax arrears
Less than 3 months overdue	5.2	6.4	11.6	4.0%
Between 3 and 6 months overdue	13.3	18.6	32.0	10.9%
Between 6 and 12 months overdue	17.8	66.4	84.1	28.7%
More than 12 months overdue	46.2	119.7	165.9	56.5%
Total	82.4	211.1	293.5	100%

Source: RRA, 2020

At the end of 2019/20, there were domestic tax arrears of Frw 11.6 billion related to debts less than 3 months overdue, this is 4.0% of the total stock of arrears. On the other hand, Frw 165.9 billion related to debts of more than 12 months, 56.5% of the total. Small and medium taxpayers have a high amount of domestic tax arrears, accounting for 71.9% of total domestic tax arrears as of end June 2020.

In terms of categories for the stock of tax arrears, Frw 78.1 billion, representing 26.6% of the total arrears are categorised under recoverable arrears, Frw 210.2 billion equivalent to 71.6% are under difficult arrears, while Frw 5.2 billion representing 1.8% of the total are categorised under irrecoverable arrears. Details of the categorisation of arrears are given in **Table 10** below.

Table 10: Categories of domestic tax arrears at the end of 2019/20 fiscal year

Category	Number of cases	Amount of domestic tax arrears (billion Frw)	Percentage share to total domestic tax arrears
Recoverable arrears cases	6,201	78.1	26.6%
Difficult arrears cases	24,465	210.2	71.6%
Irrecoverable arrears cases	3	5.2	1.8%
Total	30,669	293.5	100%

Source: RRA, 2020

II.4.2 Customs tax arrears

The arrears collected by Customs Services Department amounted Frw 28.4 billion, of which public institutions paid 84.5% (Frw 24.0 billion) while 15.5 % (Frw 4.4 billion) were collected from other arrears and fines. This represents a year-on-year decrease of 36.5% from the Frw 44.7 billion collected in 2018/19.

The stock of customs arrears as of end June 2020 amounted Frw 30.2 billion, of which 83.4% (Frw 25.2 billion) was from public institutions and 16.6% (Frw 5.0 billion) from other arrears and fines. Details are contained in **Table 11** below which displays customs tax arrears collection and stock of arrears as of end June 2020.

Table 11: Customs tax arrears collection in 2019/20 fiscal year and stock of arrears as of end June 2020 (Billion Frw)

Category	Arrears as of 30th June, 2019	New arrears during 2019/20	Total arrears recorded in 2019/20	Arrears collected during 2019/20	Stock of arrears as of 30th June, 2020
Government institutions	37.4	11.8	49.2	24.0	25.2
Other arrears	2.3	4.8	7.1	3.4	3.7
Fines	0.1	2.2	2.3	1.0	1.3
TOTAL	39.8	18.8	58.6	28.4	30.2

Source: RRA, 2020

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. 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.

In 2019/20 fiscal year, a total of **20,489** non-payers under medium, small and micro category of taxpayers in different tax types were identified in Gasabo, Kicukiro and Nyarugenge districts as indicated in table 12 below.

Table 12: Identified non-payers for Gasabo, Kicukiro and Nyarugenge districts

Tax type	Medium taxpayers		Small & Micro taxpayers		Total	
	Number	Amount	Number	Amount	Number	Amount
VAT	211	1,117,209,287	4,362	7,287,019,230	4,573	8,404,228,517
PAYE	345	2,029,566,029	3,543	2,126,249,904	3,888	4,155,815,933
IQP	42	370,929,076	4,639	801,236,902	4,681	1,172,165,978
CIT / PIT	29	315,145,398	7,318	2,641,086,689	7,347	2,956,232,087
Total	627	3,832,849,790	19,862	12,855,592,725	20,489	16,688,442,515

In addition, **8,171** notices of assessment worth Frw 14.5 billion were established and considering 4,069 pending notices that were established in FY 2018/19 and worth Frw 4.6 billion; this makes a total of 12,240 pending notices of assessment in FY 2019/20 worth Frw 19.1 billion.

Of the **12,240** pending notices in 2019/20, **7,705** worth **Frw 14.9 billion** were issued to concerned taxpayers while **4,535** notices worth **Frw 4.2 billion** were carried forward into FY 2020/21.

Also 95 field advisory visits were conducted to taxpayers operating in hotels, bars, restaurants and communication sectors in order to increase their compliance level.

II.6 TAX EDUCATION AND INFORMATION

In 2019/20 fiscal year, RRA continued to intensify tax education and information programs across the country. Key activities carried out include the following:

- a) **Conducted nine tax dialogues with different taxpayers and stakeholders on tax issues; these were attended by 606 taxpayers and stakeholders** as follows: 18 importers and bonded warehouses of wines and liquors and their private warehouses, 42 private energy developers, 12 companies operating in gaming activities, 31 taxpayers operating in wood/timber sector, 58 young entrepreneurs, 163 manufacturers, 171 public institutions (Ministries and Agencies) on tax account updating and reconciliation and 111 women entrepreneurs.
- b) **Conducted tax education sessions with 3,818 newly registered taxpayers in 29 districts** as follows: Nyagatare (119 taxpayers), Gatsibo (123 taxpayers), Gasabo (592 taxpayers), Kicukiro (355 taxpayers), Nyamasheke (91), Rusizi (128), Rutsiro (43), Karongi (61),

Rubavu (163), Nyanza (108), Nyaruguru (72), Nyabihu (40), Ruhango (128), Nyamagabe (81), Ngororero (58), Muhanga (272), Gisagara (84), Kamonyi (38), Huye (121), Gicumbi (103), Bugesera (135), Musanze (199), Kirehe (85), Burera (83), Kayonza (106), Gakenke (81), Ngoma (112), Rulindo (73) and Rwamagana (164).

- c) **Conducted consultative meetings/workshops/seminars on tax compliance improvement plan; attended by 1,413 taxpayers and other stakeholders** as follows: 23 members of PSF management, 144 ICPAR members and Tax Advisors, 14 members of RURA management, 27 large and medium taxpayers operating in ICT sector, 12 small taxpayers operating in ICT sector, 171 large, medium and small taxpayers operating in hotels, bars and restaurants services, 119 importers, 41 taxpayers with disability, 111 representatives of clearing agencies, 751 taxpayers operating in hotels, bars & restaurants and ICT sector from the following districts: Gicumbi, Bugesera, Rusizi, Nyamagabe, Karongi, Rutsiro, Rubavu, Ngororero, Nyabihu, Musanze, Gakenke, Burera, Rulindo, Nyagatare, Gatsibo, Kirehe, Ngoma, Kayonza, Rwamagana, Nyaruguru, Gisagara, Huye, Muhanga, Kamonyi, Ruhango and Nyanza.
- d) **Conducted tax education sessions/workshops on different tax issues and facilities**, with the following taxpayers/stakeholders: 52 civil servants facilitating people with disabilities, 74 students from Sainte Bernadette Secondary School of Kamonyi district/Southern Province, 99 taxpayers from Gitega Sector in Nyarugenge District, 36 students from Saint André Secondary School, 67 taxpayers and companies benefiting AEO facility and Golden Card Scheme, 23 Private bonded warehouse owners, 70 civil society members through Governance for Africa, 176 Non-Government Organization to discuss issues related to irregularities observed in tax accounts and compliance related to submission of financial statement.
- e) **Conducted 4 RRA IWACU awareness campaigns on immovable property tax in the following 4 districts:** Kicukiro, Gasabo, Narugenge and Nyagatare.
- f) **Conducted sixty-one (61) Tax Advisory Council (TAC) meetings** in Districts across the country and **one (1) TAC meeting at provincial level** in the Northern Province. The annual target was 60 TAC meetings.

g) RRA celebrated the 17th taxpayers' appreciation day which 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. Taxpayers' appreciation day at national level was marked on 29th November 2019, but build-up activities began from October 2019 through November 2019. The overarching 2019 taxpayers' appreciation day theme was: **“Pay Taxes, Build a Better Rwanda / Dusore Neza, Twubake u Rwanda Twifuza.** The theme remained unchanged from the previous year's theme. This was due to the fact that it remains relevant to both RRA's vision, the national transformation drive of building the Rwanda we deserve and it extends to reach taxpayers' benefits in paying taxes.

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

- National tax dialogue and official launching ceremony of the taxpayers' appreciation day that took place at **Kigali Serena Hotel** on 17th October, 2019 and hosted by the Honourable State Minister in charge of Economic Planning. The proposed theme of the day was: “Consensus for self-reliance: a public-private dialogue on the future of taxation”.
- As part of its social responsibility, RRA donated 10,910 USD equivalent to Frw 9,817,119 to the HVP Gatagara orthopedic and rehabilitation hospital located in Nyanza District to support occupation therapy, one of the services of this hospital. Also, RRA staff in collaboration with the HVP Gatagara hospital's staff carried out cleaning works at the hospital working area.
- Organised school competition on taxation – debate and quiz with 9 high schools from Kigali City and Southern Province. The winning schools were awarded.
- 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 Intare Conference Arena in Kigali City on 29th November 2019. The Guest of Honour was the Prime Minister Dr. Edouard Ngirente and the event was mainly marked by speeches, presentations/documentary on tax performance, launching of the RRA tax handbook and appreciation of best taxpayers at national level.

- h) 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, Flash FM, ISANGO Star FM and Radio 10. Online media like igihe.com and new times.co.rw, were used to publicize RRA’s information. Also RRA Web Live Chat and e-suggestion box were used. Print newspapers like The New times and The East-African as well as social media platforms like Twitter, Face book, Instagram and YouTube were also used to inform taxpayers and the general public on different RRA programs and services and to acquire customer feedback.
- i) RRA updated its website with the aim of making its operations widely accessible and continued to operate its 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 13** below, **99.6%** 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 13: Telephone Enquiry Call Waiting Time in 2019/20

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 2019	3,164	3,143	100%
August 2019	3,750	3,736	100%
September 2019	5,711	5,686	100%
October 2019	6,256	6,224	100%
November 2019	4,566	4,540	95%
December 2019	5,314	5,298	100%
January 2020	3,599	3,594	90%
February 2020	4,122	4,120	100%
March 2020	3,339	3,339	100%
April 2020	1,513	1,511	100%
May 2020	1,507	1,505	100%
June 2020	2,702	2,701	100%
12 months-Total	45,543	45,397	99.6%

Source: RRA, 2020

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 2019/20 fiscal year, RRA had **747** pending appeal cases (of which 86 were received in 2018/19 fiscal year); this is a decrease of **20.1%** compared to **935** pending appeal cases in 2018/19. Of the **747** pending appeals in 2019/20, **452** cases were completed and their appeal decisions established (of which 86 were received in FY 2018/19 and 366 in 2019/20), **222** were rejected, while **73** were carried forward into FY 2020/21.

The finalised appeals cases had the reassessed tax liability reduced by the appeal committee from Frw 30.6 billion to Frw 27.1 billion, representing an **11.4%** reduction. The number of appeal decisions whose tax liability did not change was 292 (64.6% of the 452) and their corresponding value amounted to Frw 15.3 billion.

During the 2019/20 fiscal year, there were **127** new requests received for amicable settlement. This is a year-on-year increase of **36.5%** from the 93 requests received in 2018/19. There were also **73** requests for amicable settlement cases brought forward from 2018/19 fiscal year, and in total there were **200** pending cases in 2019/20, out of which **30** were completed, **100** (with a tax liability value of Frw 9.3 billion) were rejected after analysis and **70** were carried forward into 2019/20. The amicable settlements had the tax liability reduced from Frw 20.0 billion to Frw 16.6 billion, representing **17%** reduction.

Regarding time taken to resolve tax appeals and amicable settlement, **6.2%** of disputes were resolved within good international practice standard of 30 days⁶, most of disputes (**78.3%**) were finalised over 30 days but within 60 days, while **15.5%** 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 14** shows time that was taken to finalise disputes in 2019/20 fiscal year.

⁶ This is based on the TADAT guidelines

Table 14: Time taken to resolve disputes (tax appeals and amicable settlement) in 2019/20

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 2019	75	1	1.3%	58	77.3%	16	21.3%
Aug 2019	64	4	6.3%	47	73.4%	13	20.3%
Sept 2019	50	2	4.0%	42	84.0%	6	12.0%
Oct 2019	72	6	8.3%	59	81.9%	7	9.7%
Nov 2019	48	6	12.5%	33	68.8%	9	18.8%
Dec 2019	42	3	7.1%	32	76.2%	7	16.7%
Jan 2020	60	2	3.3%	46	76.7%	12	20.0%
Feb 2020	37	1	2.7%	33	89.2%	3	8.1%
Mar 2020	43	4	9.3%	34	79.1%	5	11.6%
Apr 2020	41	0	0.0%	41	100.0%	0	0.0%
May 2020	23	1	4.3%	22	95.7%	0	0.0%
Jun 2020	27	6	22.2%	9	33.3%	12	44.4%
12 months	582	36	6.2%	456	78.3%	90	15.5%

Source: RRA, 2020

Regarding cases resolved by Courts, 68 cases were heard in the Courts of Law – a year-on-year decrease of 60.9% compared to 2018/19, of which 55 cases were totally ruled in favour of RRA, 11 cases totally ruled in favour of the taxpayers, while 2 cases partially won by both parties.

Of all 66 cases totally ruled either in favour of RRA or in favour of the plaintiffs, **83.3%** were won by RRA compared to **83.1%** recorded in 2018/19, while **16.7%** were ruled in favour of the taxpayers compared to **16.9%** that was recorded in 2018/19.

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

During the 2019/20 fiscal year, RRA continued to provide advice on tax issues as mandated. In this regards, RRA actively participated in:

- a) Drafting Prime Minister Order modifying Prime Minister’s Order no 161/03 of 12/09/2019 determining the Institution in charges of assessment and collection of taxes and fees on behalf of Decentralized Entities;

- b) Drafting Law modifying Law n° 75/2018 of 07/09/2018 determining the sources of revenue and property of decentralized entities;
- c) Drafting Ministerial Orders and Commissioner General Rules governing New Tax Procedures;
- d) Drafting Ministerial Orders governing Law no 026/2019 of 18/9/2019 on Tax Procedures;
- e) Drafting Commissioner General Rules governing Law no 026/2019 of 13/9/2019 on Tax Procedures;

Moreover, the following public rulings and instructions were published or submitted for signature during the 2019/20 fiscal year:

- 1) Instruction on notice of assessment ;
- 2) Registrar General Rules determining modalities for registration and deregistration for persons who no longer carry out business activities after consultation with the Commissioner General ;
- 3) Commissioner General Instruction determining fees on services provided by RRA ;
- 4) Public Ruling on Article 46 (1) 3° of the Law n° 016/2018 of 13/03/2018 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 recorded 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 15** below shows a five-year trend of Tax to GDP ratio in Rwanda.

Table 15: Trend of tax to GDP ratio in Rwanda in billions of Frw (2015/16 – 2019/20)

Fiscal Year	2015/16	2016/17	2017/18	2018/19	2019/20
Tax Revenue (billion Frw) ⁷	986.7	1,086.5	1,234.1	1,399.5	1,494.8
Nominal GDP (billion Frw)	6,321	7,125	8,014	8,713	9,399
Tax to GDP ratio	15.6%	15.2%	15.4%	16.1%	15.9%

Source: NISR and RRA, 2020

Tax to GDP ratio decreased from **15.6%** in 2015/16 to **15.2%** in 2016/17 mainly due to the policy decision on worn clothing which negatively affected tax collections and it increased to **15.4%** and **16.1%** in 2017/18 and 2018/19 respectively due to administrative measures that improved the tax revenue collection. It decreased once again to **15.9%** in 2019/20 from 16.1% in 2018/19 due to covid-19 pandemic and associated mitigation measures that had a large impact on economic activity from April 2020 and this has had a significant negative bearing on numerous tax heads. 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

⁷ This excludes local government tax revenue collection

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 in collection efficiency.

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 from **48.7%** in 2014/15 to **58.3%** in 2017/18. However, it decreased to **54.1%** and **49.5%** in 2018/19 and 2019/20 fiscal years respectively as presented in the **Table 16** below. This was due mainly to key infrastructure projects e.g. construction of Bugesera airport, that were allocated significant amounts of resources during these two last fiscal years as well as the covid-19 pandemic and associated mitigation measures that had a large impact on economic activity from April 2020 hence negatively affecting revenue collections.

Table 16: Percentage contribution of tax revenue to national budget in billions of Frw (2014/15-2019/20)

Fiscal year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Tax revenue (billion Frw) ⁸	859.1	986.7	1,086.5	1,234.1	1,399.5	1,494.8
Budget (billion Frw)	1,762.4	1,808.8	1,954.2	2,115.4	2,585.2	3,017.1
Tax as % of Budget	48.7%	54.5%	55.6%	58.3%	54.1%	49.5%

Source: MINECOFIN and RRA, 2020

As observed from the budgetary allocations above, our 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 our nation. This speaks directly to RRA's vision statement.

⁸ This excludes local government tax revenue collection

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).

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

The average on-time returns filing ratios for **large taxpayers** during 2019/20 fiscal year were 96.5% for VAT and 97.2% for PAYE, while **medium taxpayers** registered an average on-time returns filing ratios of 96.5% for VAT and 94.6% for PAYE. On the other hand, VAT and PAYE average on-time returns filing ratios for **small taxpayers** in 2019/20 fiscal year were 83.7% for VAT and 71.1% for PAYE. The **Table 17** below indicates the on time returns filing ratios for VAT and PAYE during 2019/20 fiscal year.

Table 17: On time returns filing rates for VAT and PAYE in FY 2019/20

Taxpayer segment	Large taxpayers		Medium taxpayers		Small taxpayers	
	VAT	PAYE	VAT	PAYE	VAT	PAYE
Jul-19	97.5%	99.2%	98.4%	97.3%	88.7%	73.1%
Aug-19	97.2%	98.3%	97.1%	95.8%	82.9%	73.3%
Sep-19	97.1%	98.1%	97.8%	96.6%	89.1%	74.0%
Oct-19	97.8%	98.1%	97.6%	96.4%	88.9%	74.5%
Nov-19	97.2%	97.8%	96.7%	95.3%	83.7%	74.4%
Dec-19	97.5%	98.3%	97.2%	96.0%	87.8%	73.7%
Jan-20	97.1%	98.1%	96.7%	95.6%	87.6%	74.4%
Feb-20	86.8%	91.6%	90.5%	91.6%	75.9%	70.8%
Mar-20	96.0%	97.0%	95.9%	93.9%	85.7%	73.3%
Apr-20	97.5%	97.5%	97.2%	95.1%	87.7%	74.2%
May-20	98.2%	95.4%	96.4%	88.0%	83.7%	53.1%
Jun-20	98.2%	97.3%	96.8%	94.7%	87.7%	74.5%
Average	96.5%	97.2%	96.5%	94.6%	83.7%	71.1%

Source: RRA, 2020

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 2019 financial year were 95.2% for **large taxpayers**, 93.1% for **medium taxpayers** and 61.2% for **small taxpayers** as illustrated in **Table 18** below.

Table 18: On time returns filing ratios for income tax (CIT & PIT) for 2019 tax period

Taxpayer segment	Number of expected declarations	Number of on time declarations	On-time filing ratio
LARGE	252	240	95.2%
MEDIUM	684	637	93.1%
SMALL	190,136	116,347	61.2%

Source: RRA, 2020

III.3.3 Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically.

Table 19 shows the electronic filing status in four past fiscal years.

Table 19: Use of electronic filing (In percent of all declarations filled for each tax type)

Tax types	2016/17	2017/18	2018 /19	2019/20
	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, 2020

E-filing is mandatory and rates across all core taxes were high during 2019/20 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 2019/20 fiscal year, the on-time tax payment ratios for **large taxpayers** were 95.5% for income tax (CIT & PIT), 98.8% for VAT and 99.2% for PAYE.

Small and Medium taxpayers registered on-time tax payment ratios of 72.1% for income tax, 98.9% for VAT and 91.5% for PAYE.

The average on-time tax payment ratios for all taxpayer segments were 79.0% for **income tax**, 98.9% for **VAT** and 96.8% for **PAYE**. On-time tax payment ratios by tax heads and taxpayer segments are shown in **Table 20**.

Table 20: On-time tax payment ratios by tax heads and taxpayer segments

Tax head	CIT & PIT			VAT			PAYE		
Taxpayer segment	Large	Small & Medium	Total	Large	Small & Medium	Total	Large	Small & Medium	Total
Tax declared on-time (billion Frw)	31.3	75.6	106.9	173.0	93.0	266.0	178.6	81.8	260.4
Tax paid on-time (billion Frw)	29.9	54.6	84.5	171.0	92.0	263.0	177.2	74.8	252.0
On-time payment ratios	95.5%	72.2%	79.0%	98.8%	98.9%	98.9%	99.2%	91.4%	96.8%

Source: RRA, 2020

The registered 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 21** shows status on the use of electronic payments for 2019/20 fiscal year.

Table 21: Use of Electronic Payments for 2019/20 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, 2020

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 2019/20 through enforcement measures, divided by the amount of debts subject to enforcement measures as of 1st July 2019 plus the additional amounts subject to enforcement measures received from July 2019 to June 2020, 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 2020, the overall percentage of tax arrears collected to available arrears to collect was **19.9%** as indicated in **Table 22** below.

Table 22: Amount of tax arrears collected as percentage of available debts to collect

Department	Stock of tax arrears as of 1st July 2019- opening balance (billion Frw)	New tax arrears (including interest & penalties) recorded in 2019/20 (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 2019/20 (billion Frw)	Irrecoverable tax arrears as of end June 2020 (billion Frw)	Total tax arrears collected during 2019/20 (billion Frw)	% of tax arrears collected to available arrears to collect during 2019/20
Large taxpayers	52.0	48.4	5.2	95.2	5.3	17.1	19.0%
Small & medium taxpayers	214.9	108.7	27.1	296.5	0	43.0	14.5%
CSD	39.8	18.8	0	58.6	0	28.4	48.5%
TOTAL	306.7	175.9	32.3	450.3	5.3	88.5	19.9%

Source: RRA, 2020

In general, tax arrears collection ratio of **19.9%** 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 23 below shows the status as of end June 2020.

Table 23: EBM acquisition ratio as of end June 2020

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
27,987	2,895	14	25,078	23,910	95.3%

Source: RRA, 2020

As indicated in **Table 23** above, the EBM acquisition ratio is **95.3%** meaning that there are still some VAT registered taxpayers (1,168; equivalent to 4.7%) who are VAT registered without EBMs yet they are supposed to have them. This category includes taxpayers in banking sector that RRA is working on to find a suitable solution to integrate with their systems. There are also taxpayers who registered business but have not yet started operations; they are nil-filers. The EBM acquisition ratio for the previous fiscal year was **94.3%**.

IV. IMPLEMENTATION PROGRESS REPORT ON THE RRA MAIN PROJECTS

RRA continued to undertake initiatives aimed at improving VAT compliance through Electronic Billing Machine enhancement and monitoring. During 2019/20 fiscal year, a number of actions were undertaken including the following:

IV.1 ELECTRONIC BILLING MACHINES (EBM)

- a) Continued integration of private invoicing systems with EBM V.2.0 system through Virtual Sales Data Controller (V-SDC): By the end of 2019/10 fiscal year, 129 taxpayers' systems including hotels, telecommunication companies, pharmacies and restaurants were connected to Virtual Sales Data Controller (V-SDC), compared to 30 taxpayers' systems connected as a pilot phase during 2018/19 fiscal year.
- b) Enhanced client software with its corresponding Back-End System (EBM 2.1). The following deliverables were achieved:
 - i) Full client application compatible with windows and android operating systems was completed at **99%**; eight (98) technical issues remained to be solved by December 2020.
 - ii) Completed skins for specific industries (Restaurants, Supermarkets, Hotels, etc.)
 - iii) V-SDC for EBM 2.1 was completed at **80%**, pending allowing keys to be kept on V-SDC side.
 - iv) Trained **110** taxpayers on EBM v.2.1 and facilitated **53** taxpayers to acquire EBM V.2.1 via online installation.
- c) Used data analysis to identify non-compliance cases on EBM. The following main activities were performed:
 - i) Development of individual taxpayer's dashboard to monitor the behavior of taxpayers;
 - ii) Build a predictive model for selecting EBM to be topped up the airtime;
 - iii) Supply chain analysis for identifying non-compliant taxpayers and those taxpayers were contacted through official letters about the results from such analysis;
 - iv) Updated the infrastructure required for data analytic activities;

- v) Monitored the reporting behaviour and came up with measures to mitigate the non-reporting;
 - vi) Conducted the stock quantity analysis for taxpayers to detect non-issuance of EBM invoices specially for construction materials, beverages and drinks, etc.
 - vii) Followed up on taxpayers who cancelled EBM invoices while they were yet claimed by buyers.
- d) Sensitised taxpayers through day-to-day activities and encouraged them to use EBM and assisted them on EBM usage. In this regard, 14,405 taxpayers were visited as a way to boost EBM compliance. Also staff members were deployed in busy areas in Kigali to monitor the EBM usage whereby 52,022 vehicles, 555,201 EBM invoices and 46,085 manual invoices were checked; monitored and checked 4,766 vehicles transporting timbers for selling at Gisozi market from different areas of the country and outside the country and conducted mystery shopping activities for targeted non-compliant taxpayers.
- e) Handled various taxpayers' queries in back office, most of them were related to local audit support for tracing potentially missed sales for purpose of declaration.
- f) Continued to install EBM V.2 software to taxpayer's machines and provided training to 3,541 software users. As of end June 2020 the total number of taxpayers who had EBM V.2 system was **9,771** compared to 6,286 as of end June 2019, this is 55.4% increase. The number of taxpayers having EBM V.2 as of 30th June 2020 accounted for 40.8% of total number of taxpayers having EBMs.

As a result of the above actions, 969 affidavits were established and 819 fines notifications amounting Frw 192.6 million were given to EBM non-compliant taxpayers compared to 685 notifications amounting Frw 140.5 million that were given in 2018/19 fiscal year. In addition, a total of 23,910 registered taxpayers had Electronic Billing Machines as of end June 2020. This means there was an increase of 14.1% (2,960 taxpayers) over 12 months compared to an increase of 18.8% that was registered in 2018/19. The total number of activated EBMs as of end June 2020 was 31,273; a 15.9% increase when compared to the end June 2019 status (26,988 EBMs). Further, in FY 2019/20, **29,053,616** EBM invoices were issued compared to **32,031,263** recorded in 2018/19 fiscal year.

IV.2 DEVELOPMENT OF TAXPAYER RELATIONSHIP MANAGEMENT SYSTEM (MY RRA).

This is the online and mobile access of taxpayers 'account to allow taxpayers easily access their tax account information at anytime, anywhere, which is intended to boost transparency, confidence and trust pertaining to information at RRA custody.

During 2019/20, the following key deliverables were achieved towards development of taxpayer relationship management system:

- a) System design was completed and system development was in final stages.
- b) Integrated Taxpayer Relationship Management System (My RRA): Internal Interface (for RRA employees) & External Interface (for Taxpayers) are in final stages as follows:
 - E-TAX (**99%**), pending User Acceptance Tests (UAT);
 - NFR (**99%**), pending UAT;
 - LGT (**95%**), serious issues with new Property Tax (lack of business logic on DB side), + pending UAT;
 - RESW (**99%**), pending UAT;
 - VAT rebate (**99%**), pending UAT;
 - EBM Online (**95%**), issue of key management, pending UAT.
- c) IT equipment meant for system stability, efficiency and data protection was successfully installed and commissioned. These are servers for the EBM 2.1 and My RRA systems, network and storage equipment, 3,000 Point-Of-Sales (POS) devices and Power Generator.

IV.3 E-TAX ENHANCEMENT

During 2019/20, the following key activities were accomplished in order to enhance e-tax system:

- a) Integrated E-Tax system with the Local Taxes (RLGMS) system for purposes of issuing a unique tax identification number that should be used across all tax types managed by RRA.
- b) Enhanced refund and debt management modules in e-tax system so as to incorporate the approved refund manual and debt management manual processes.
- c) Implemented an online “validation control” to prevent taxpayers from revising VAT declarations when refund case has been initiated as a refund payment process is in progress.
- d) Enhanced motor vehicle module in order to effectively associate the motor vehicle number plate to the owner of the vehicle whereby, when you read the number plate you can easily know the rightful owner of that vehicle or motor cycle with an objective of having vehicle transfers clearly traceable to the rightful owners.
- e) Started technical discussions on systems integration with RURA and technical write-ups (EPI document) have been shared. RURA is currently working on the integration data exchange environment though not yet completed with all the required technical aspects within their system. The systems interface for data exchange purposes will start with Motor vehicles licensed for transport as a business activity in Rwanda.
- f) Prepared, discussed and agreed business requirements document for pre-population of PAYE, Pension, Medical and maternity leave scheme to begin with public institutions because they already have one centralised payroll system-IPPIS. This system integration will also include IFMIS on the payment part and initial discussions took place however, the bigger part has to be done on IPPIS as the main source of the Government payroll.
- g) Prepared business requirements document for enhancing E-Tax and IFMIS integration for purposes of deducting tax arrears from the payments made to suppliers of Government.

- h) Enhanced e-tax system to meet requirements of new law no 026/2019 of 18/09/2019 on tax procedures especially the implementation of declaration penalties and interest regime as per the new law.

IV.4 ENHANCEMENT OF DATA WAREHOUSE, RISK MANAGEMENT AND BUSINESS INTELLIGENCE SYSTEM (DWH & BI)

Since its inception, the Data warehouse, Risk Management and Business Intelligence System (DWH & BI) has been successfully integrated with Single Window system, ASYCUDA, SIGTAS, E-Tax, Electronic Billing Machine-payment, SAGE X3 system and some other external systems. several benefits have been realised since for instance the time taken to do analytical reports reduced while the quality of reports was enhanced following these system integrations.

To ensure continuity of DWH & BI system, it was necessary to upgrade and enhance the system by adding new developments of E-TAX system as data sources into DWH & BI, integrate other existing new systems, and provide training for the implementing team to enhance self-management. In this regards, the following activities were carried out during 2019/20 fiscal year to enhance DWH&BI system:

- a) System Upgrade was done and completed on Oracle data integration (ODI), Oracle Business Intelligence (OBIEE) and other middleware, from 11g to 12c.
- b) Configuration for the various reports reading from various source systems (LGTMS, EBM 2, E-TAX, SAGE X3, and Single Window) started and is being done.
- c) System integration (LGT, EBM 2, ETAX, SAGE X3, and Single Window) is currently being done offsite and BI (Business intelligence) team is facilitating by providing details explanations and other support as needed.

Due to COVID-19 pandemic, emphasis was shifted towards offsite activities to allow for continuation of the project implementation. The pandemic slowed the execution of the project with delays in onsite activities such as user acceptance testing which require onsite testing by the vendor to be considered complete.. To finalise the outstanding work, the vendor submitted a contract

extension request until December 2020 which was accepted by RRA and therefore the remaining project milestones were carried forward in financial year 2020/21.

IV.5 LOCAL GOVERNMENT TAX MANAGEMENT SYSTEM ENHANCEMENT

The enhancement of Local Government management system started in 2018/19 fiscal year where the following activities were completed: development of property tax module, enhancement of registration and declaration modules and development of audit and enforcement modules.

Development of the following remaining functionalities was completed: E-support interface providing online support for staff and citizens, search functionalities for displaying taxes connected to a citizen and credit note management function. Also, staff training on new functionalities was completed.

IV.6 TAXPAYERS' ACCOUNTS RECONCILIATION AND UPDATE

RRA recognises that some taxpayer accounts are not up to date and intends to undertake a thorough taxpayer account reconciliation exercise to ensure that all taxpayer accounts are reconciled and updated to reflect the correct balance due to/or from RRA. This will facilitate RRA to implement reforms aimed at enabling taxpayers to track their balances online and improve efficiencies in tax administration.

This exercise will result in increased Data Reliability in the destination system (E-Tax), assure completeness and accuracy of data for reporting purposes and decision making that informs tax policy; and reliable and updated taxpayers' accounts.

The project started in May 2019 and the following activities were performed in fiscal year 2019/20:

- a) **Scoping study report:** The scoping study was conducted and focused on two aspects, determining an approach for cleaning Frw **85.8 billion** in suspense accounts and an approach for reconciling taxpayer accounts.
- b) **Cleaning of suspense account:** At the beginning of the project, there were 126,197 transactions totalling to Frw 85,801,554,536, which were recorded in suspense accounts during the period 2008 to 2016. One of the tasks of the project was to identify the banks that paid this

amount, the taxpayers who paid, tax type and the period. During the scoping study the amount equivalent to Frw 77,911,807,419 were traced on bank statements while the amount of Frw 7,642,793,334 were untraced.

After tracing transactions on the bank statements, the project team started the process of identification of taxpayers and engage BNR and others banks to establish if they have any records to facilitate identification of taxpayers. In this regards, the following has been made:

- i)* Matching transactions from SIGTAS with bank statement, this is still ongoing;
- ii)* Identification of TIN, taxpayer name, tax type, tax period to help trace account in suspense, this is still ongoing;
- iii)* Reversing transactions that were poorly recorded from suspense account is also ongoing;
- iv)* Capturing transactions to proper tax account;
- v)* Working with different banks on unidentified transaction is in progress.

c) Updating taxpayers account for large and medium private companies: This project component is ongoing, by collecting data in various archives of large and medium private companies to back up the reconciliation process, collecting different documents to facilitate the reconciliation (audit result, decisions, and credit notes, proof of payment....), capturing all audit result (refund, comprehensives, issues...) not entered in the system, capturing all decisions (appeal, amicable, court and minister decisions) not entered in the system and matching payment and charge.

d) Updating taxpayers account for large and medium public institutions: This is being done by collecting different payment orders helping in reconciliation, matching payment and charges and capturing or transferring payment not entered before or wrongly recorded.

IV.7 RRA'S FUTURE OPERATING MODEL (FOM)

RRA under the guidance of its Board of Directors recognized the need to review its organization design and IT Enterprise Architecture to design a new operating model that is fit to respond to future challenges and opportunities.

After two unsuccessful attempts to outsource consultancy services to design its future operating model, RRA opted to dedicate selected internal resources to lead this effort and come up with a thorough assessment of the status of RRA capabilities. The existing gaps and duplications in relation to RRA's existing structure and future challenges, a proposal of the future capabilities that RRA must possess, and finally a roadmap detailing the journey that RRA must walk to move from its current to its desired future operating model.

For a successful completion of this project by RRA's internal resources, some key employees were fully detached from other operational responsibilities in order to dedicate themselves to the realization of the ambitious goals set in this document. A core team of approximately five (5) employees (including the project manager) with specific skills spearheaded this important project. Additionally, each RRA department appointed a focal person in charge of supporting the core team on a part-time basis by providing all necessary information as required in the course of project execution.

The inception report of the project, data gathering and analysis were completed and approved and the RRA Future Operating Model document was produced and approved by Board of Directors by June 2020. Its implementation shall start in fiscal year 2020/21.

IV.8 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 2019/20 fiscal year:

- a) **Upgrade of ASYCUDA World (CMS) fully completed:** ASYCUDA World was upgraded to the newest version with more improved performance and security controls.
- b) **Development of Commodity Description Standard Feature fully completed:** user requirements were documented, module was fully developed and deployed, training of users was completed.

- c) **Development of Advance Ruling module based on ASYCUDA World fully completed:** Module fully developed and deployed on live server, user training delivered to Clearing Agents, user guides developed and distributed to Clearing Agents.
- d) **IATA Integration - Electronic Cargo Manifest completed at 80%:** Consultative engagement was held between RRA, IATA and UNCTAD and airlines operators, development of the module was completed on RRA side, preliminary testing on the IATA Manifests (sending manifests electronically to Single Window) were successfully done with a few Airlines (Qatar Airways, Lufthansa and Rwanda Air).
- e) **Development of the Single Transaction Portal (STP) completed at 60%:** Development of the STP core framework was finalized, testing of self-registration was completed, technical working sessions with six Government Agencies (RALIS, RFDA, RDB, NAEB, and RMB & RSB) were held to understand their processes and their IT environment as part of developing appropriate system requirement specifications for STP.
- f) **Capacity building for IT staff in the Project Technical Team completed at 80%:** Two selected IT staff in the project team received a training on JAVA EE, HTML, CSS, JavaScript and Angular.

IV.9 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 2019/20 to sustain the AEO program:

- a) **Conducted sensitization and awareness campaigns to traders in a bid to encourage them to join the regional AEO program:** The participants were in the following categories: 64 beneficiaries of the Gold Card Scheme, 23 Bonded Warehouse Operators, 112 Clearing and Forwarding Agencies.

- b) **Facilitated the process of vetting new AEO applicants and re-assessment of existing ones, as per the regional AEO procedures manual:** 45 new applications were received among them 15 were recommended to join regional AEO program and their list was submitted to EAC Secretariat for publication and issuance of regional AEO certificates. This will increase the number of AEO beneficiaries up to about 60. In addition, 34 existing AEOs were reassessed among them 32 were recommended.
- c) **Development of project communication and visibility plan:** The draft project communication and visibility plan at regional level was finalized, translation of the AEO program's regional working documents (SOP and Benefits) in Kinyarwanda as requested by stakeholders was also finalised.

V. ACHIEVEMENTS TOWARDS STRENGTHENING INTERNAL CAPACITY

During 2019/20, 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.

RRA operates a wide area network interconnecting regional offices for domestic taxes and Customs offices at different border posts. These remote offices require connecting to the main datacentre for providing services to customers. Considering the increasing traffic generated by remote offices, their internet bandwidths were increased at selected sites for faster service delivery. Priority was given to offices with a large number of transactions.

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 service interruption that may be caused by their shortage and/or deficiency.

In 2019/20, 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 have been met during the reporting period. New licenses were acquired, and existing licenses were renewed as per their licensing cycle.

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

In addition to operational systems (for customs and DTD) and other applications used internally like SAGE, Data warehouse and Business Intelligence, special attention was given to office operations. Internet communication, mail server, file server, voice communication, printing, etc. were provided to a satisfactory level.

V.1.3 INFORMATION SECURITY

Since the introduction of ISO 27001 project, information security is gaining momentum in IT operations. From the Information Security perspective, 2019/20 was marked by key achievements relating to IT security, vulnerability assessment and implementation of recommendation, advisory and training as well as implementation of policies that were developed for RRA Information Security Management System (ISMS).

The confidentiality of information was given due attention during the year 2019/20. A data loss prevention (DLP) was installed in RRA IT environment for that purpose. This tool is currently monitoring the movement of flagged system generated documents across the network and any other action that can be performed on them.

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 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 RRA in FY 2019/20.

V.2.1.1 Short training courses delivered

RRA conducted **26** short training courses out of **36** that were planned; this makes a performance of **72.2%**. The attendance number was **1,764** out of the **1,501** that was initially planned. The number of attendees decreased by **34.5%** compared to 2018/19 fiscal year.

The main reasons for not covering the planned courses are failure to find competent and qualified trainers to deliver training sessions on specialized sectors and some courses that have been suspended due to the COVID-19 lockdown.

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 Rwanda Revenue Authority.

In 2019/20 fiscal year, 317 RRA employees were studying professional courses as follows: 33 RRA staff were learning the Association of Chartered Certified Accountants (ACCA) course, 210 staff studying the Certified Public Accountants (CPA) course, 60 staff learning the Certified Accountant Technicians (CAT) course, 11 studying Certified International Personnel Development (CIPD) online course, 1 was trained in Customs Professional Development Course and 2 were being trained in Legal Practice and Development.

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 2019/20 fiscal year, 2 RRA employees benefited long term trainings for a period varying between 12 and 18 months.

V.2.3.4 E-learning

E-learning is a way of acquiring new, or reinforcing existing knowledge skills, using electronic technologies. The RRA e-learning platform is designed to be used by RRA staff only where staff members can register to have access to the trainings administered online by the RRA training department.

By end June 2020, RRA e-learning platform was operational with 7 course categories having 40 modules that were uploaded on the platform; access is free of charge. 42 customs officers were undertaking online courses on customs valuation and intellectual property right.

V.2.2 OTHER KEY HUMAN RESOURCE MANAGEMENT INITIATIVES

During 2019/20 fiscal year, other initiatives in the field of HR management were carried out. They include:

V.2.2.1 Established a coaching and mentoring policy framework.

The purpose of this policy framework is to provide RRA employees with skills and professional guidance needed from experienced coaches or mentors to deliver credible and impactful services in a professional and ethical manner. This policy aims to enhance skills and competencies of all RRA staff irrespective of their grade for improved organizational performance.

The framework was developed and approved by the RRA Executive Organ. It was also published on the RRA intranet and issued communication to all RRA staff where they can find it.

V.2.2.2 Developed communities of practice guide

Communities of practice is concept that refers to groups of people who share a concern, a set of problems, or passion about a topic, share common job roles and responsibilities, and who deepen their knowledge and expertise in the area by interacting on an ongoing basis, face-to-face and virtually using online collaborative platform. They are designed to promote knowledge sharing and collaboration across functions, business processes and departments within the Authority. The community members share knowledge, collaborate and thrive together through collective learning, which leads to group memory (trans-active memory system).

The purpose of this practice guide is to provide a structured framework for community members to collaborate, create and share knowledge resources within communities of practice, department and across the Authority for better tax administration. Communities of practice guide for RRA was developed and approved by the Executive Organ on 27th January 2020.

V.2.2.3 Reviewed the human resource management strategy 2020/21-2023/24

The human resource management strategy was reviewed and approved by the RRA Executive Organ. The 2020-2024 RRA human resource strategy is informed by the RRA strategic plan 2019-2024 and coincides with the early stages of implementation. This strategy is built on the following five strategic drivers: workforce management, performance management, employee engagement, developing people and building human resource management capacity. They will allow human resource to better support the RRA in strengthening its internal capacity and co-ordination and developing a more efficient and equitable service that promotes business growth.

V.2.2.4 Staff recruitment and promotions

During 2019/20, 36 new permanent employees were recruited by RRA in order to fill vacant positions within different departments, of which 26 employees (72.2%) were appointed in Domestic Tax and Customs Services Departments.

At the end of the 2019/20 fiscal year, RRA had 1,275 permanent staff members compared to 1,273 at the end of 2018/19. Permanent staff members were supported by 144 police officers as well as 96 temporary staff supporting the EBM function, tax arrears recovery and taxpayer account reconciliation and update activities.

In addition, 30 RRA employees were promoted or confirmed to higher grades in order to fill vacant positions. Of these employees, 17 (56.7%), were working in the Domestic Tax and Customs Services Departments. All promotions were done in accordance with the terms and conditions of RRA's internal processes and procedures for staff.

V.2.2.5 Executive Organ members' appointments

In 2019/20, the Board of Directors appointed two new RRA Executive Organ members as follows:

- Mr. Gabriel MPEZAMIHIGO, Deputy Commissioner for Finance Department, was appointed on 29th November 2019.
- Mr. Ronald NIWENSHUTI, Deputy Commissioner for Large Taxpayers office, was appointed on 2nd June 2020.

V.2.2.6 Staff integrity management

Disciplinary investigations on 22 cases involving 59 staff members were carried out and completed. Of these, 50 employees were sanctioned including 10 dismissals (representing 20% of total sanctioned compared to 17.9% in 2018/19), while 9 were acquitted. The 59 staff members' cases involved the following malpractices:

- a) 1 staff was accused of being involved in tax consultancy.
- b) 18 employees were accused of connivance with taxpayers to evade taxes.
- c) 4 were suspected of unlawful issuance of entry cards.
- d) 24 were suspected of mishandling taxpayers' complaints.
- e) 1 was suspected of dissenting work.
- f) 11 were involved in the none respect of the administrative instructions and insubordination.

Out of the 59 staff summoned and investigated, 10 were dismissed compared to 5 dismissed in 2018/19, four officers received suspension for one month without pay, 36 received different warnings in addition to the 9 acquittals mentioned earlier.

V.3 STRENGTHEN INTERNAL CONTROL SYSTEMS

During the 2019/20 fiscal year, **19** internal audit assignments were completed out of 20 that were planned, making an achievement of 95%, while 1 audit assignment was still in progress by end June 2020. In total, **77** audit recommendations were raised from the finalised internal audit assignments. However, only 40 were tracked for implementation purposes, the remaining 37 were captured in the implementation matrix for July 2020.

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

Out of **399 internal audit recommendations** issued in 2014/15, 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 fiscal years that were still open in 2019/20 fiscal year: 204 were fully implemented, representing **51.1%** of the total; 89 partially implemented, **22.3%** of the total; 104 recommendations had not been implemented by the end of 2019/20, (**26.1%**), while 2 (**0.5%**) were no longer applicable as at 30th June 2020. Thus, 193 (48.4%) internal audit recommendations remained open as at 30th June 2020.

Implementation of Auditor General's recommendations was also reviewed on a regular basis within concerned departments. Implementation status was still at a low rate. By end June 2020, out of **81 Auditor General's recommendations** for 2013/14, 2014/15 and 2016/17 audit periods that were still open at the beginning of FY 2019/20: 22 (**27.2%**) were fully implemented; 50 (**61.7%**) were partially implemented; and 9 (**11.1%**) had not been implemented by the end of the year. In total, open Auditor General's recommendations were 59 as at 30th June 2020 representing 72.8%.

Worth mentioning noting is that the Auditor General's Financial Statements Audit for the year ended 30th June 2019, Performance Audit and IT Audit raised 186 issues that were either not implemented or partially implemented. These issues were not tracked as the related reports were released in the second semester of 2019/20 fiscal year and will be tracked in 2020/21 fiscal year.

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. Quality management system audits comprise of both internal and external ones. Out of 131 corrective actions raised, 84 (**64.1%**) were fully implemented, 11 (**8.4%**) were

partially implemented, while 36 (**27.5%**) had not been implemented as of 30th June 2020. The total number of corrective actions that remained open by year's end (either partially or not implemented) was 47 (35.9%).

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

During 2019/20, the following activities were carried out in order to enhance risk management and implement the tax compliance improvement plan:

- a) The evaluation of risk mitigation strategies implementation status as of end June 2020 was done on risks recorded in departmental risk registers and corporate risk register. There were 252 risks in all risk registers including 6 identified, 177 open and 69 closed risks. 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 **82.5%** as of end June 2020 against a target of 70%.
- b) The tax compliance improvement plan for 2019/20 approved in June 2019 was implemented and implementation progress reports were produced on quarterly basis. The tax compliance improvement plan 2019/20 focused into two main aspects i.e. general and sector specific compliance interventions. The general compliance interventions focused on four areas of tax compliance obligations i.e. registration, filling, payment and accurate reporting. The sector specific compliance interventions focused on information and communication sector, hotels, bars and restaurants activities, importers and customs brokers. Among 32 compliance actions planned for 2019/20 fiscal year, 27 (84%) were fully implemented against a target of 85%, 4 (13%) were partially implemented, while one (3%) is continuous action.
- c) In addition, the fifth tax compliance improvement plan for 2020/21 was developed and approved by the RRA Executive Organ in its meeting held on 25th June 2020 for launch on 1st July 2020. The plan will focus on two main areas i.e. general compliance interventions and sector specific compliance interventions. The general compliance interventions will focus on the four areas of tax compliance obligations (registration, filling, payment and accurate reporting), while specific compliance interventions will focus on financial services

sector, suppliers of hotels, bars and restaurants sector, compliance actions on research findings, importers and customs brokers. The areas earmarked for attention are of course not the only areas RRA will be working on. RRA will continue with usual work in detecting and deterring non-compliance through the use of risk engines, third party data and other sources of information which help to identify non-compliance.

V.5 PARTNERSHIP WITH REGIONAL AND INTERNATIONAL BODIES

RRA continued to cultivate partnerships with different institutions at regional and international levels. This resulted in building internal capacity, mutual collaborations, information exchange and promoting RRA's image at different forums. In 2019/20, 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 Bureau of Fiscal Documentation (IBFD) from Netherlands, International Growth Center (IGC), International Centre for Tax and Development (ICTD), World Bank Development Impact Evaluation (DIME) Team, United States Treasury - Office of Technical Assistance (OTA), Norwegian Tax Administration, East Africa Revenue Authorities (EARA), Carnegie Mellon University (CMU), Africa Institute for Mathematical Sciences (AIMS), Institut d'Enseignement Supérieur de Ruhengeri (*INES-Ruhengeri*), International Computer Driving License-Africa (ICDL), World Customs Organization (WCO), Institute of Legal Practice and Development (ILPD), Rwanda Freight Forwarders Association (RWAFFA), East Africa Freight and Forwarding Companies (EACFFPC) 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, legal practice, research in taxation, 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 2019/20 FISCAL YEAR

The total RRA revised budget for the 2019/20 fiscal year was **Frw 54.2 billion** whereas RRA's expenditure was **Frw 61.1 billion**, which is **112.8%** of the annual budget, resulting in overspending of Frw 6.9 billion. The budget lines which registered an overspending were:

- **Compensation of employees:** The actual spending for compensation of employees surpassed the budget due to an allowed overspending for staff performance based bonus during the first semester of 2019/20 fiscal year and horizontal promotions. This means that the approved budget was not sufficient to cover total expenses under this budget line.
- **Other expenses:** The expenditure surpassed the budget due to an additional Frw 9.5 billion disbursed by the Ministry of Finance and Economic Planning to pay VAT refund backlog as one of responses to COVID-19 measures to support taxpayers.

Even though RRA registered an overspending of Frw 6.9 billion, capital expenditure recorded an underspending of Frw **2.4 billion** mainly due to delay in procurement process for the rehabilitation of RRA, NEC and OAG complex not yet completed by the year-end. In addition, supply and installation of POS fiscal devices to non-VAT registered taxpayers were not implemented as planned because the potential bidder delayed in agreeing with tender requirements which forced RRA to cancel the tender. Also implementation of some projects was affected by the delays in procurement process due to lack of responsive and qualified bidders.

Based on the total expenditure (including capital expenditure), RRA registered a cost of collection of **3.9%** compared with **3.3%** registered in previous fiscal year. when considering only operating expenditure, the cost of collection was **3.8%**. A summary of the RRA's budget and expenditure in 2019/20 fiscal year is shown in **Table 24** below:

Table 24: Total RRA budget and expenditure in Frw

Expenses	Revised budget FY 2019/20	Actual FY 2019/20	Variance	Performance (%)
Compensation of Employees	24,018,973,856	26,723,603,302	-2,704,629,446	111.3%
Use of Goods and Services	18,171,409,406	17,016,037,752	1,155,371,654	93.6%
Social Assistance	70,000,500	65,696,846	4,303,654	93.9%
Other Expenses	8,511,856,134	16,308,237,046	-7,796,380,912	191.6%
Total Operating Expenses	50,772,239,896	60,113,574,946	-9,341,335,050	118.4%
Capital Expenditure	3,423,456,371	1,006,876,333	2,416,580,038	29.4%
Total Expenses	54,195,696,267	61,120,451,279	-6,924,755,012	112.8%

Source: RRA, 2020

VII. KEY CHALLENGES FACED BY RRA DURING 2019/20 FISCAL YEAR

During 2019/20 fiscal year, Rwanda Revenue Authority had some challenges that hindered its performance and service delivery. The main ones are highlighted below:

VII.1 Impact of COVID-19

On the 14th of March 2020, Rwanda confirmed its first case of COVID-19. On the same day, containment measures were introduced limiting public gatherings, guidelines on movement and postponement of weddings and other ceremonies. One week later, on the 21st of March 2020, to further contain the virus, a full lockdown was implemented. Travel was subsequently limited to essential activities, which lasted for a period of seven weeks, until the 4th of May 2020 when these restrictions were eased. Though necessary to suppress the transmission of the virus, these measures have a significant bearing on numerous tax heads.

Though the restrictions are now starting to lift, the COVID-19 outbreak and associated mitigation measures had a large impact on economic activity in Q4 (April-June 2020). Though necessary to suppress the transmission of the virus, this restriction in economic activity has had a significant bearing on numerous tax heads. Tax revenue collection achieved **98.2%** of the target in Q3 (January-March 2020) and **79.6%** in Q4 (April-June 2020).

VII.2 High domestic tax arrears.

Domestic tax arrears remain high, at **27.4%** of total domestic tax collections for 2019/20 fiscal year, and are escalating (up from Frw 266.9 billion in 2018/19, to Frw 293.5 billion in 2019/20). Increasingly, domestic tax arrears are getting older, and therefore becoming harder to collect (revenue administrators universally agree that it is much easier to collect a new debt than an old one). Of the total domestic tax arrears outstanding at the end of June 2020, **56.5% (Frw 165.9 billion)** relate to debts **more than 12 months overdue**.

VII.3 Low tax compliance culture by some taxpayers

Although tax compliance kept increasing over time, some taxpayers do not declare and pay their due taxes or intentionally lower the taxable base to evade taxes. In addition, some VAT registered taxpayers are not complying with EBM requirements (non-issuance of EBM receipts to every

buyer, under-reporting of prices on EBM invoices, fictitious EBM invoices and misuse of VAT rates). Also fraud and smuggling are still a challenge to revenue mobilization initiatives. Second hand clothes and shoes, liquors and wines, loin clothes (Ibitenge), beans and palm oil were the lead products with high frequency for fraud and smuggling during the course of the year.

VII.4 Insufficient allocated budget to clear VAT refund backlog

In FY 2019/20, the Ministry of Finance and Economic Planning allocated to RRA a special budget worth Frw 8 billion to pay VAT refund arrears and also disbursed an additional Frw 9.5 billion to clear VAT refund backlog as one of the responses to COVID-19 measures to support taxpayers. However, these amounts remain insufficient to eliminate the backlog up to June 2018.

Of the total VAT refund backlog amounting to Frw 34.7 billion that had not been paid as of end June 2019, RRA paid Frw 17.5 billion in 2019/20 fiscal year with Frw 17.2 billion pending. RRA is still counting on the Ministry of Finance and Economic Planning to provide a special budget to handle the VAT refund backlog.

VIII. WAY FORWARD / FUTURE FOCUS

During the 2020/21 fiscal year, RRA will implement various initiatives in line with its mandate in order to deliver the 4 strategic outcomes of 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.

FY 2020/21 is a unique for RRA implements the Future Operating Model in order to adapt RRA to future demands and opportunities to further support national development and place RRA as the employer of choice. It will also be the year RRA in conjunction with MINECOFIN will develop the national Medium Term Revenue Strategy to coincide with NST1.

The fiscal environment in which we operate is very dynamic. Indeed 2019/20 was a challenging fiscal year both to the business community as well to RRA due to the covid-19 pandemic that hit the entire world. This substantially affected businesses and the corresponding taxes and will continue affecting revenue collections more especially in 2020/21 fiscal year. We will work hand-in-hand with our stakeholders and the taxpaying community to support affected businesses to recover and thrive.

In terms of revenue collections, RRA has a revised revenue target of **Frw 1,640.3 billion** for 2020/21 (**Frw 1,552.4 billion** for central taxes, **Frw 75.9 billion** for Local Government Tax and Fees and **Frw 12.0 billion** for 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. Implement the online and mobile access of taxpayers' account (My RRA).
2. Design and implement the online application for Quittus Fiscal.
3. Establish and launch the RRA One Stop Service Centre.
4. Establish information help desk for large taxpayers and investors under one stop service center concept.
5. Implement customised provision of tax information for persons with disabilities (usage of sign language interpreter, usage of Braille writing and usage of audio assistance).
6. Translate the RRA website information and online information in three official languages in Rwanda (Kinyarwanda, English and French).
7. Design validation controls at item level to minimize inappropriate VAT input claims.
8. Accelerate the process of rollout of EBM V.2 to all importers.
9. Conduct Supply Chain Analysis for importers, local manufacturers and their clients for some selected items and conduct stock quantity analysis for identified non-compliant taxpayers.
10. Enhance usage of existing risk management tools to carry out data matching in order to ensure compliance across all tax heads.
11. Expedite the enforcement of tax arrears mostly from Government institutions.
12. Expedite the process of offsetting refund.
13. Increase inspection on the usage of tax stamps that are affixed on excisable products.
14. Outsource part of audit services to increase audit coverage but all gain knowledge from the external auditors.
15. Automate some processes to improve compliance with filing & payment, e.g. notice of assessment, fine notification on VAT returns, reminders, warning letters, etc.

16. Work with FORENSIC laboratory to detect forged documents.
17. Review VAT law to include provisions related to e-commerce, VAT rebate and explaining more the processed agriculture products.
18. Increase the implementation level of audit recommendations.

IX. CONCLUSION

In 2019/20 fiscal year, RRA registered a tax revenue performance of **95.3%** (a shortfall of **Frw 74.2 billion**) resulting to a growth of **6.8%** in comparison with 2018/19 collections. Due to COVID-19 pandemic, Quarter 3 (January-March 2020) and Q4 (April-June 2020) failed to meet their targets and Q4 registered a negative growth (-11.7%) compared to the same period last fiscal year.

To protect long-term revenue sources, RRA must and will be cognisant of the fact that firms in many sectors are still struggling to recover from the outbreak and associated mitigation measures. In particular firms in the hospitality and education sectors continue to be affected the most. RRA has shown consideration to these cases by extending hardship waivers for those with income tax due and affected by the pandemic. At the same time, RRA will be vigilant to cases of fraud during this time to safe guard government revenues.

In order to recover and re-emerge from this crisis, RRA will continue funding public services for a better future in Rwanda and will work hand-in-hand with its stakeholders and the taxpaying community to support affected businesses to recover and thrive.