



RWANDA REVENUE AUTHORITY
TAXES FOR GROWTH AND DEVELOPMENT

RRA ANNUAL REPORT 2022/23



OCTOBER 2023



MISSION

To **mobilise revenue** for **economic development** through **efficient** and equitable services that **promote business** growth.



VISION

To become a **world-class efficient** and **modern revenue** agency, **fully financing** national needs.



**HERE FOR YOU
TO SERVE**



WE WORK AS A TEAM:

- ✓ We **empower** our people
- ✓ We **involve** our staff
- ✓ We **value** team work
- ✓ We are **engaged**.



WE ARE CUSTOMER FOCUS

- ✓ We **treat** our **customers** with **fairness** and **equity**,
- ✓ We **cater** for our **customer** needs when delivering services,
- ✓ We are **open** to **customer concerns, ideas** and **criticism** our continuous improvement.



WE ACT WITH INTEGRITY:

- ✓ We are **honest**, sincere and have high ethical standards,
- ✓ We are **fair** and **considerate** in our treatment to others,
- ✓ We show **respect, courtesy** and **tolerance** to the views of others,
- ✓ We are **open** and work with **clarity** and consistency in dealing with our customers.



WE ARE ACCOUNTABLE:

- ✓ We **embrace** our government given **mandate** and **trust** for revenue collection and endeavour to **deliver** on it
- ✓ We assume **responsibility** for our **decisions** and **actions** as they affect our customers,
- ✓ We are **open, reliable** and **transparent** in dealings with our customers.



WE ARE PROFESSIONAL:

- ✓ We commit to provide **quality services** to our clients,
- ✓ Our work always aims to provide **solutions** to our **clients**,
- ✓ We embrace **best practice** and **innovations** for continuous improvement,
- ✓ We demonstrate **confidentiality** in dealing with our customers,
- ✓ We **commit** to work with **Passion**



FOREWORD BY THE CHAIRPERSON OF THE BOARD OF DIRECTORS



As Chairman of the Board of Directors of the Rwanda Revenue Authority, I am honored to present the RRA annual activity report for fiscal year 2022/23. Rwanda Revenue Authority continued to deliver on its mandate to collect revenue, without creating a tax system, which inhibits economic growth.

In fiscal year 2022/23, Rwanda Revenue Authority celebrated 25 years of existence. The hard work and achievements of these years have contributed to RRA's success as an institution, and revenues raised have allowed the Government of Rwanda to invest back into Rwanda's people and its future.

Real economic growth in fiscal year 2022/23 was strong at 8.1%, showing that the post-COVID-19 recovery was not a one-off. However, the global crisis of high inflation created new difficulties for Rwanda Revenue Authority. Annual inflation of 18.2% was driven primarily by food price inflation, and impacted all tax heads and sectors of the economy.

Rwanda Revenue Authority has continued working towards improving taxpayers' voluntary compliance and further reducing the cost of collection. The implementation of effective administrative measures together with economic conditions at hand during fiscal year 2022/23 resulted into the achievement documented herein.

The **total central revenue collection** (both tax and non-tax, excluding local government collections) for the period of FY 2022/23 amounted to **Rwf 2,332.6 billion** against a target of **Rwf 2,250.8 billion** which is an achievement of 103.6%, and an excess of **Rwf 81.8 billion** above the target. This represents a tax to GDP ratio of 15.0%

On behalf of the Board of Directors, I thank the RRA staff and management for the focus and tireless efforts dedicated to achieving the remarkable performance achieved during fiscal year 2022-23.

A stylized, handwritten signature in white ink, appearing to read 'M. Yusuf'.

MURANGWA Yusuf

Chairperson of RRA Board of Director

FOREWORD BY THE COMMISSIONER GENERAL



It is with great pleasure that I share with you the Rwanda Revenue Authority (RRA) annual activity report for fiscal year 2022/23. During this period, RRA managed to achieve the set targets albeit within a challenging business environment. This achievement was boosted by 8.1% real growth in the economy as well as effective administrative measures employed during fiscal year 2022-2023.

The tax administration surpassed the target performing at 103.6% for total revenue collection (both tax and non-tax, excluding local government collections) which equates to year-on-year growth of 22%.

During the period under review, RRA underwent a large restructuring process. It is now far more prepared as an institution for a new way of delivering to our customers. RRA's digital transformation lowers costs of compliance and costs of operation, allowing RRA to do more with less.

RRA continued to educate and assist its customers by providing real time information and other facilitation services through our various digital platforms. Tailor-made compliance initiatives, enabled by new technologies, allowed RRA to enforce Rwanda's tax policies without losing the goodwill of our compliant taxpayers.

During this fiscal year, the RRA also fulfilled its mandate of collecting Local Government taxes and charges. Local Government collections totaled Rwf 86.5 billion, an achievement of 95.8% of the Rwf 90.3 billion target.

On a final note, I would like to express my gratitude to the Government of Rwanda, the RRA Board of Directors, Members of Executive Organ, Senior Management Team and all RRA staff who contributed to the compilation of this annual activity report, and extend my thanks to all the taxpayers who have diligently fulfilled their tax obligations.

A handwritten signature in white ink on a blue background. The signature is stylized and appears to be 'Bizimana Ruganintwali Pascal'.

BIZIMANA RUGANINTWALI Pascal

Commissioner General

EXECUTIVE SUMMARY

RRA had a strong performance this fiscal year relative to its targets. Total central revenue collections were 103.6% of the annual target, equating to Rwf 2,332.6 billion in total revenue. This equates to 15.0% of GDP, and half (50.8%) of the annual budget. Tax collections have also been more cost efficient this year, with a cost to collection ratio of 2.5%. These achievements were a result of both economic factors and administrative measures implemented throughout the year.

High inflation for essential goods negatively impacted tax revenues. High inflation was primarily driven by an increase in food and non-alcoholic beverage prices, with food prices increasing by 36.1% over the year. As consumers spend more of their income on these low-tax or tax exempt essential goods, less is available to spend on other products. This has impacted domestic VAT and excise revenues.

Tax policy reforms led to revenue foregone but generated other benefits for Rwanda. New PAYE brackets were designed to fairly tax the working population and reduce poverty, though they led to revenue foregone of Rwf 24.9 billion. Likewise, exemptions for hybrid and electric motor vehicles and their spare parts were designed to promote vehicles which produce less environmental damage and air pollution, though they led to revenue foregone of Rwf 4.6 billion across customs taxes. Despite their benefits in other areas, these policies are net revenue reducing.

Several administrative measures were introduced to improve compliance. Measures included systems controls to ensure expenses claimed against income tax are genuine. Enforcement measures such as automating non-payment notifications increased the amount of tax arrears recovered by RRA, especially for Withholding Taxes.

RRA continues to work on long run improvements to tax administration. There exist administrative measures introduced before FY 2022/23 that still require active work from RRA as they are part of long run plans. These include the expansion of EBM usage under 'EBM for all' and efforts to develop RRA itself such as expanding internal capacity, internal audits, and risk management strategies.

However, some taxpayers remain engaged in tax evasion and tax avoidance. In particular, some taxpayers are reluctant to use tools such as the Electronic Billing Machines appropriately. Several enforcement and culture changing initiatives are in place to change this, including ongoing audits and tax education initiatives.

FY 2022/23 IN NUMBERS

Our performance
at a glance



Rwf 2,332.6bn

Total revenue collected
(103.6% of target)



Rwf 86.5bn

Total Local government
revenue



15.0%

Tax to GDP ratio



50.8%

Total fiscal revenues as %
of national budget

Target outcome 1: Improved Customer Service

88%

Customers satisfied
with RRA services

4

Online services
created

19

Workshops conducted
on the tax compliance
improvement plan

91

Sessions, meetings,
seminars, and workshops
conducted to improve
tax education

Target outcome 2: Enhanced Tax Compliance

22.2%

Increase in taxpayer
registry

95%

Implementation of the
annual compliance
improvement plan

45,874

Audits completed

84.6%

Of VAT registered
taxpayers issued
EBM machine

48

Anti-smuggling operations
conducted

Target outcome 3: Improved Employee Engagement

91 Staff completed the
internal leadership program

26 RRA staff benefited from
counselling outreach campaigns

Target outcome 4: Strengthen Organizational Capacity

Rwf 2.5

Spent to collect each
Rwf in tax revenue

18

Internal audits
completed

80%

Of risk mitigation
strategies implemented

15

Staff received
disciplinary sanctions

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LIST OF ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
AEO	Authorised Economic Operators
AG	Auditor General
ASYCUDA	Automated System for Customs Data
ATAR	Association of Tax Advisors of Rwanda
BI	Business Intelligence
Bn	Billion
CIF	Cost Insurance and Freight
CIT	Corporate Income Tax
CIPD	Certified International Personnel Development
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus Disease-19
CSD	Customs Services Department
DTD	Domestic Tax Department
EAC	East African Community
EBM	Electronic Billing Machine
EBM V.2	Electronic Billing Machine Version Two
ESW	Electronic Single Window
Rwf	Currency symbol for the Rwandan Francs
FY	Fiscal Year
GDP	Gross Domestic Product
HR	Human Resource
ICPAR	Institute of Certified Public Accountants of Rwanda
IFMIS	Integrated Financial Management Information System
Int'l	International
IPPIS	Integrated Payroll and Personnel Information System
IQP	Income Tax Quarterly Prepayment
ISIC	International Standard Industrial Classification
ISO	International Standard Organisation
LG	Local Government
LGT	Local Government Taxes
LTO	Large Taxpayers Office
MINECOFIN	Ministry of Finance and Economic Planning

NGO	Non-Government Organisations
NVRT	Non-VAT registered taxpayers
NST-1	National strategic for transformation 1
PAYE	Pay As You Earn
PIT	Personal Income Tax
POS	Point-Of-Sales
PMP	Project Management Professional
TAM	Taxpayers Appreciation Month
Q	Quarter
QMS	Quality Management System
RICA	Rwanda Institute for Conservation Agriculture
RRA	Rwanda Revenue Authority
RURA	Rwanda Utilities Regulatory Authority
SDC	Sales Data Controller
SIGTAS	Standard Integrated Government Tax Administration System
SMS	Short Message Service
SMTTO	Small and Medium Taxpayers Office
TIN	Tax Identification Number
VAT	Value Added Tax
WHT	Withholding Tax

1.

**OVERALL REVENUE
PERFORMANCE FOR
2022/23 FISCAL YEAR**

1. OVERALL REVENUE PERFORMANCE FOR 2022/23 FISCAL YEAR

1.1. REVENUE PERFORMANCE FOR FISCAL YEAR 2022/23

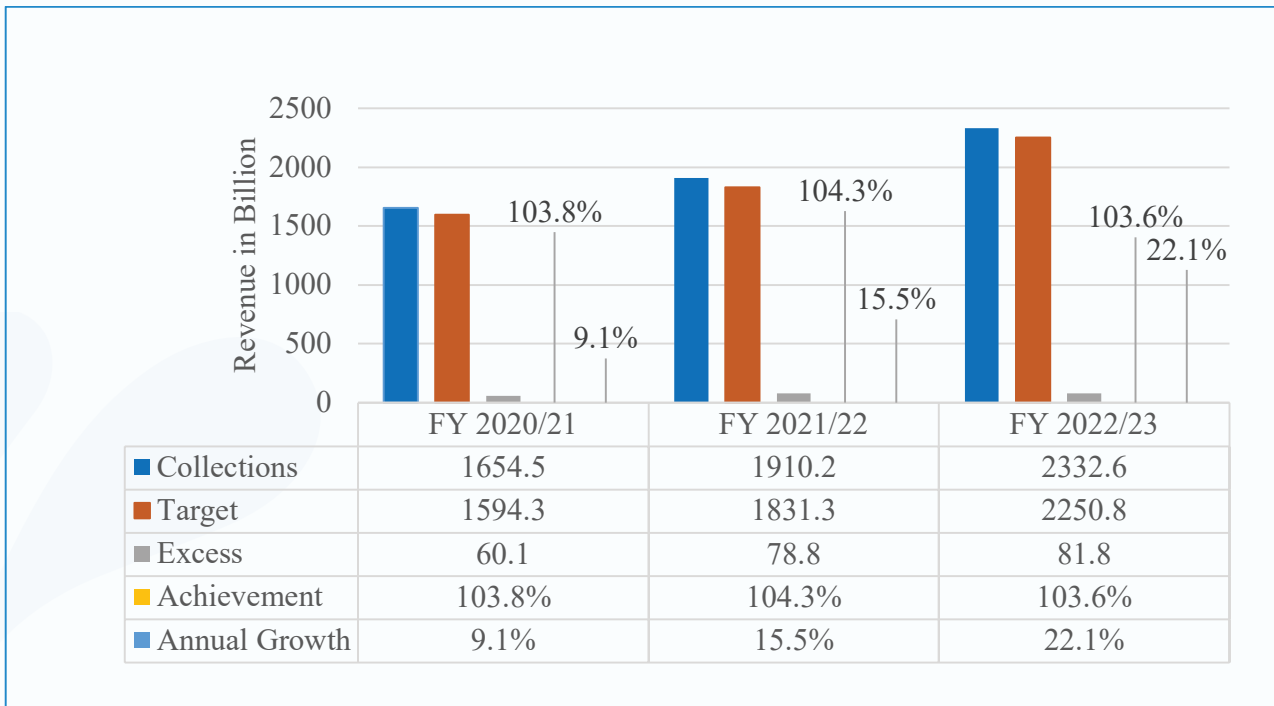
Table 1 summarizes the revenue performance of RRA against its targets for the FY 2022/23. The key figures are:

1. Total central revenue collection for FY 2022/23 amounted to Rwf 2,332.6 billion against a target of Rwf 2,250.8 billion. This is an achievement of 103.6%, and an excess of Rwf 81.8 billion above the target. Total revenue collection refers to both tax and non-tax revenues, excluding local government collections.
2. Total central tax revenue collection for FY 2022/23 amounted to Rwf 2,250.4 billion against a target of 2,181.3 billion. This is an achievement of 103.2% and an excess of Rwf 69.1 billion above the target and a growth of 21.2.
3. Local Government (LG) taxes and fees collections totalled Rwf 86.5 billion against a target of Rwf 90.3 billion. This is an achievement of 95.8%, and a shortfall of Rwf 3.8 billion. However, this represents year-on-year growth of 15.5% and a nominal increase of Rwf 11.6 billion.

Table 1: RRA revenue performance against targets for FY 2022/23 (billion Rwf)

Categories of tax	Target FY 2022/23	Actual FY 2022/23	Variance	Performance rate	Actual FY 2021/22	Growth in FY 2022/23	Nominal increase	Proj. Growth
Total central revenue	2,250.8	2,332.6	81.8	103.6%	1,910.2	22.1%	422.4	17.8%
Other Revenue	69.5	82.2	12.7	118.3%	53.0	55.2%	29.2	31.2%
Total tax revenue	2,181.3	2,250.4	69.1	103.2%	1,857.2	21.2%	393.2	17.5%
* Direct taxes	979.5	1051.3	71.7	107.3%	857.4	22.6%	193.9	14.2%
* Taxes on G & S	1046.5	1029.5	-16.9	w98.4%	867.0	18.7%	162.5	20.7%
* Taxes on Int'l Trade	155.3	169.6	14.3	109.2%	132.8	27.8%	36.9	17.0%
L.G tax and fees	90.3	86.5	-3.8	95.8%	74.9	15.5%	11.6	20.6%
LG Tax	43.1	41.5	-1.6	96.4%	35.4	17.4%	6.1	21.8%
LG Fees	47.2	45.0	-2.3	95.2%	39.5	13.8%	5.4	19.5%
Central & L.G tax revenue	2,224.4	2,291.9	67.5	103.0%	1,892.6	21.1%	399.3	17.5%

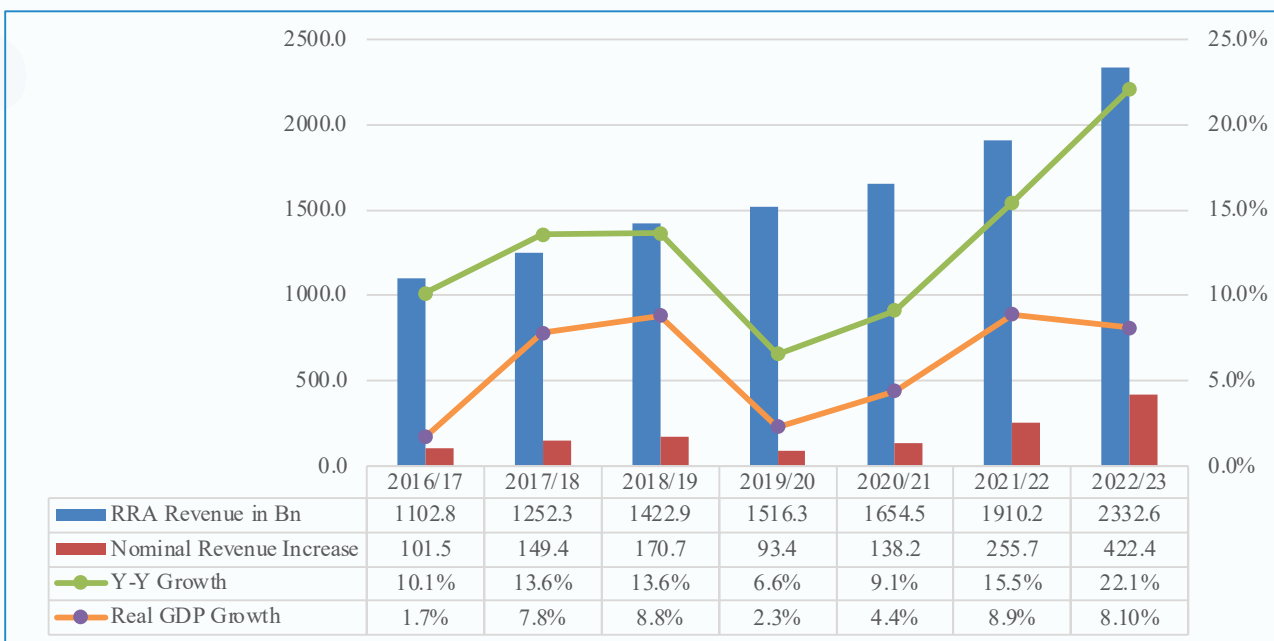
Figure 1: Short-term revenue performance trend



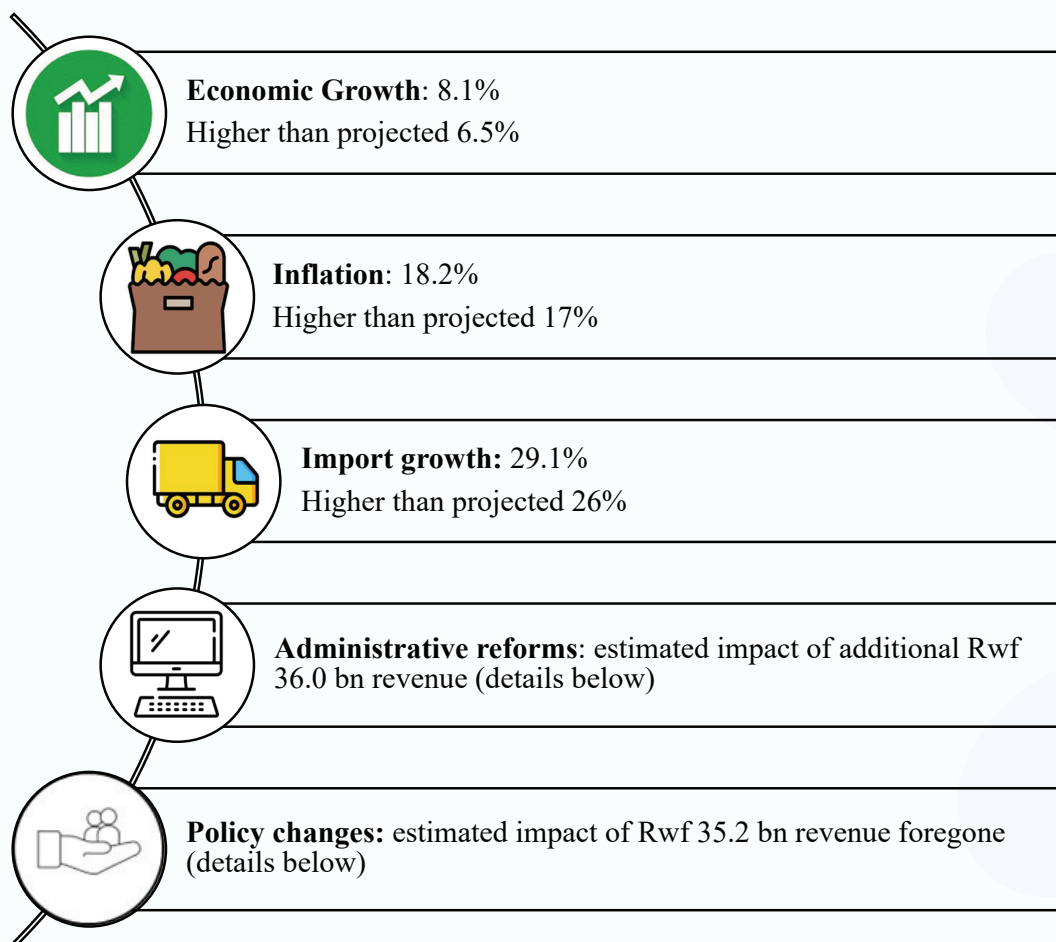
The trend was sustained with a tremendous growth in each year relative to the same period last year of 22.1% compared to 15.5% and 9.1% recorded in 2020/21 and 2021/22 respectively.

Trend analysis for the last seven fiscal years shows that net revenue collections have consistently grown and are positively correlated to the economy as shown by the Figure 2 below. The deviation between nominal and real GDP growth in 2022/23 is due to the high level of inflation in this fiscal year.

Figure 2: Trend analysis of net revenue collection from 2016/17 to 2022/23 vs Economy



1.2. MAJOR FACTORS THAT AFFECTED THE PERFORMANCE OF FY 2022/23



1.2.1. Macroeconomic Factors

Tax revenue is affected by inflation, economic growth, imports, and the exchange rate. Mild inflation is beneficial as price increases lead to higher VAT and excise duty revenues. However, excessive inflation can be so detrimental to the real value of incomes when consumption falls, leading to declines in VAT and excise collections. Both real economic growth and inflation contribute to increases in the nominal size of the economy. Growth in the nominal size of the economy leads to a larger tax base and higher domestic taxes. Imports impact the value of customs taxes. The exchange rate impacts the competitiveness of exports and the local value of imports.

The macroeconomic environment had a mixed impact on tax revenues in FY 2022/23. Economic growth was stronger than expected, ultimately boosting revenues relative to projections. However, inflation was higher than expected and primarily driven by food price inflation of 36.1%, which affected the disposable income of the population. Imports were also lower than expected, affecting customs revenue. The exchange rate depreciated by 11.7%, in theory making Rwanda's exports more competitive globally but resulting in imported goods being more expensive in local currency terms. The impact of the currency depreciation is discussed further in Section 1.3.5.

1.2.2. Administrative measures that supported performance

Administrative measures by RRA are designed to promote the goal of raising revenue for Rwanda. The payoffs for these efforts include immediate and long-term revenue growth and efficiency gains.

In FY 2022/23, the following major administrative changes and initiatives had a significant impact on RRA's performance.

- a) **Strengthened system controls on income tax declarations** from March 2023 have contributed an estimated Rwf 27.1 billion in additional income tax revenue.
- b) **Stock analysis of major brewery distributors** increased VAT collections and CIT-PIT by an estimated Rwf 1.3 billion and Rwf 0.5 billion respectively.
- c) **"EBM for all" enforcement** increased compliance among taxpayers, contributing an estimated Rwf 7.09 billion in CIT-PIT payments.

1.2.3. Policy changes which impacted performance:

Tax policies are introduced or changed for a variety of factors, though RRA primarily focuses on their revenue impact. It should be noted that a policy change which has a negative impact on revenues does not necessarily have a negative impact on Rwanda as a whole. This is because tax policies can be used to address some of Rwanda's other goals, including poverty reduction and promoting economic growth.

In FY 2022/23, the following major tax policy changes had a significant impact on Rwanda's tax revenues:

- a) The Common External Tariff (CET) Version 2022 added a higher 35% tariff band to customs. This contributed an estimated Rwf 7.5 billion in revenue.
- b) New tax brackets for PAYE (Pay as You Earn) in November 2022 resulted in an estimated Rwf 24.9 billion in revenue foregone.
- c) Exemptions for hybrid/electric motor vehicles and their spare parts resulted in estimated revenue foregone from import duty, excise duty, and customs VAT of Rwf 13.8 billion.
- d) The exemption of rice from VAT from April to June 2023 resulted in an estimated revenue foregone of Rwf 4.0 billion.

1.3. TAX REVENUE PERFORMANCE BY TAX HEADS

Most tax heads surpassed their targets, and all tax heads except "Royalty Tax on Mining" registered positive year-on-year growth.

Table 2 shows a breakdown of revenue performance by tax head.

Further analysis is given by tax type and tax head in the sections below.

Table 2: Tax revenue performance by tax heads for FY 2022/23 (value in Rwf bn)

Tax heads	Target FY 22/23	Actual FY 22/23	Performance rate	Growth in FY 22/23
PAYE	466.7	517.4	111%	21%
Profit Taxes (CIT, PIT & WHT)	508.2	528.4	104%	24%
Value Added Tax (VAT)	704.5	691.1	98%	16%
Excise	269.6	266.7	99%	16%
Import Duty	130.7	142.1	109%	26%
Royalty Tax on Mining	9.1	8.9	97%	-26%
Fuel levy	47.8	47.7	100%	199%
Vehicle Registration	4.7	5.4	115%	47%
Strategic reserve Petroleum Levy	15.5	15.1	98%	10%
Infrastructure Development Levy	21.8	24.4	112%	35%
African Union Levy	2.8	3.1	109%	33%
Total Tax Revenues	2,181.3	2,250.4	103.2%	21.2%
Other Revenue	45.5	50.6	111%	69%
Road Toll	19.9	20.5	103%	75%
Other Customs Revenues	6.8	13.4	197%	119%
Interest and penalties	18.7	16.7	89%	37%
Total Tax and Other Revenue	2,226.8	2,301.0	103%	22%
Non-fiscal collected by RRA	24.0	31.6	132%	38%
Total RRA Revenue	2250.8	2,332.6	103.6%	22%

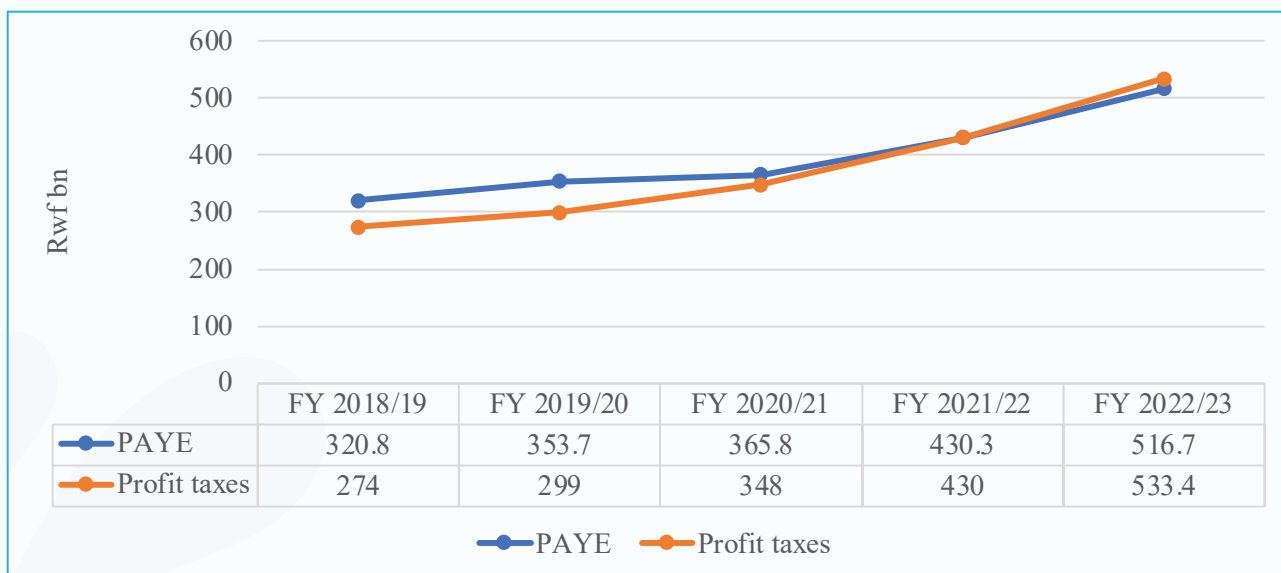
1.3.1. DIRECT TAXES

Direct taxes, which includes CIT&PIT, PAYE, and WHT tax categories, performed at 107.3% in FY 2022/23. When compared with collection of FY2021/22, direct taxes collections grew by 22.6%, higher than the projected growth of 18%.

Profit taxes are composed of CIT&PIT plus WHT. WHT are an advance on the CIT&PIT payments by taxpayers retained by paying agency e.g. public institutions, who remit it to the tax administration. They act as an enforcement measure within the tax system.

Figure 3 shows the positive and similar trends in profit taxes and PAYE over the last 5 years.

Figure 3: Performance of key contributors to direct taxes



1.3.1.1. Profit taxes (CIT, PIT & WHT)

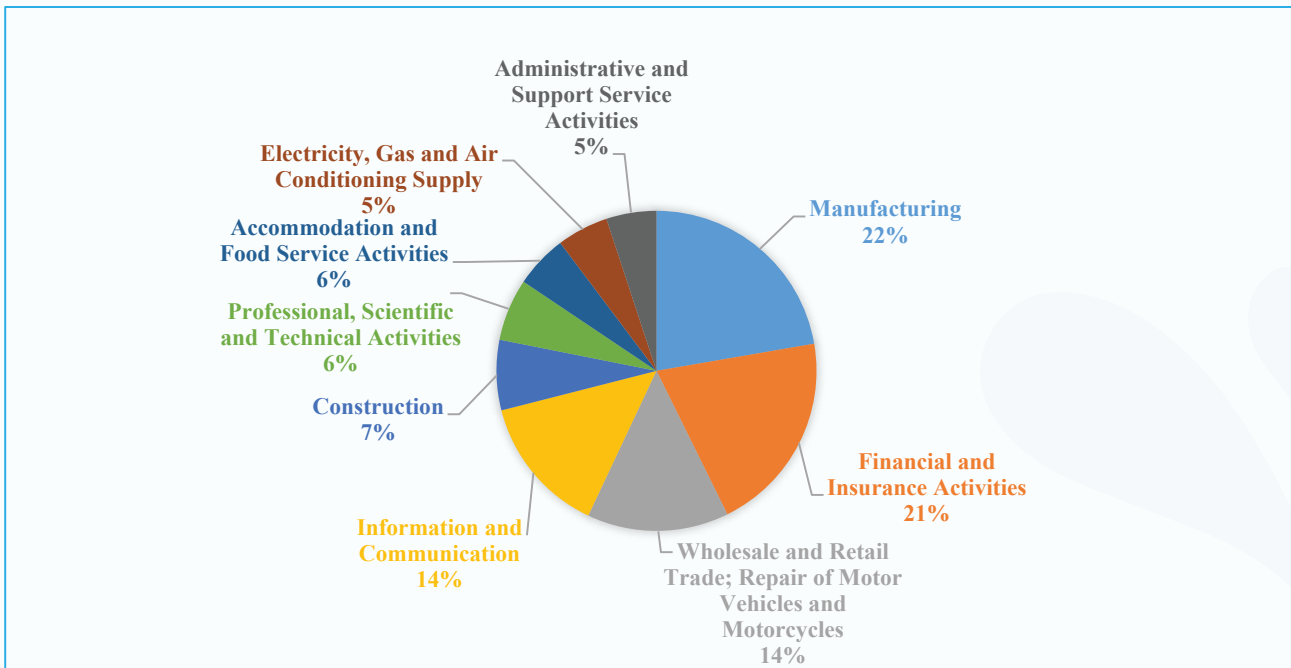
<p>CIT/PIT & WHT Total collection: Rwf 528.4 billion Target: Rwf 508.2 billion</p>	<p>Performance: 104% Annual growth: 24%</p>	<p>Key factors: Economic growth System controls introduction</p>
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1.3.1.2. Corporate Income Tax (CIT) and Personal Income Tax (PIT)

<p>CIT/PIT Total collection: Rwf 259.2 billion Target: Rwf 214.1 billion</p>	<p>Performance: 121.1% Annual growth: 43.9%</p>	<p>Key factors: Economic growth</p>
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Focusing on payments by taxpayer and disaggregating by ISIC sector classification, the relative contributions of the 10 largest contributing sectors for the 2022/23 fiscal year are shown in Figure 4.

Figure 4: Relative contribution of the 10 largest sectors to CIT/PIT Payments in 2022/23.



1.3.1.3. Withholding (15%, 3% & 5%)

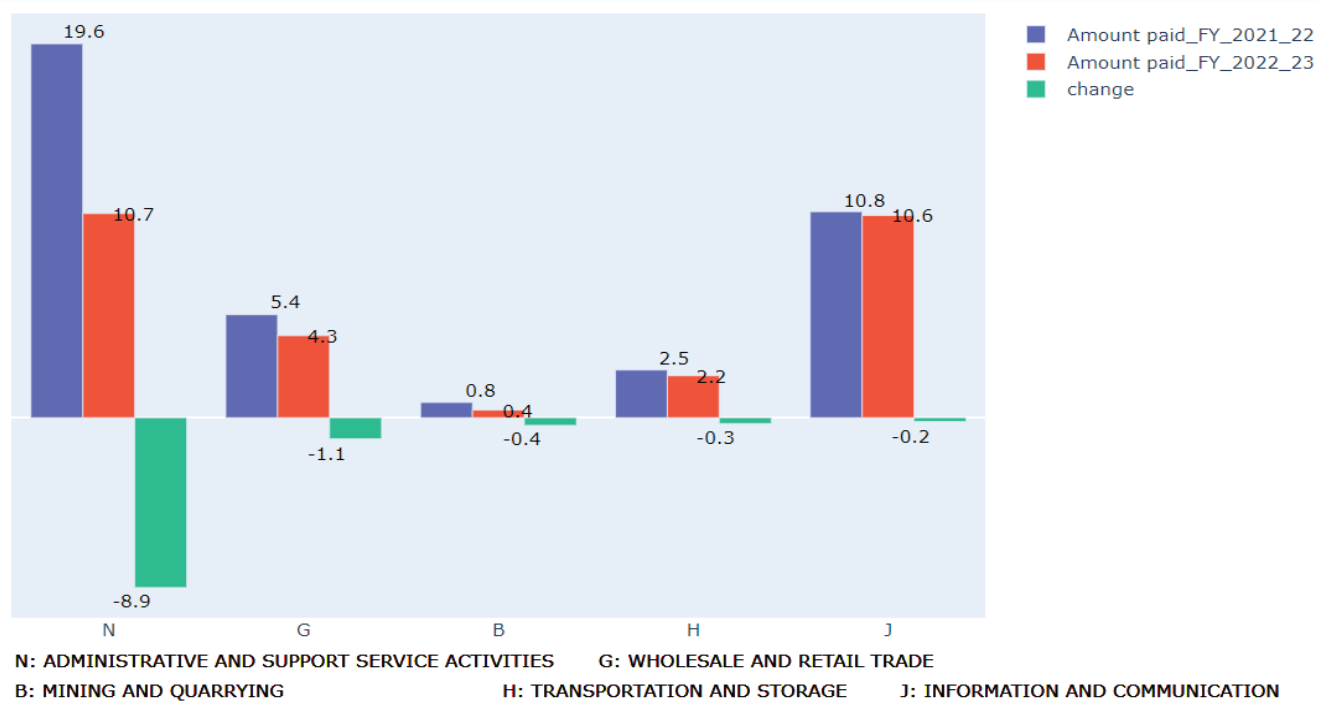
Withholding taxes
 Total collection: Rwf 279.3 billion
 Target: Rwf 294.4 billion

Performance: 94.9%
 Annual growth: 8.6%

Key factors:
 Underperformance in key sectors.

Of the Rwf 15.1 billion shortfall relative to the target, 83.7% can be attributed to five sectors that experienced decreased WHT contributions compared to the same period for the previous year, shown in Figure 5. Some institutions declared WHT, but did not pay it. Nearly 80% of the fall of WHT paid by the administrative and support service activities sector can be attributed to just one firm.

Figure 5: Top Five sectors that contributed to the underperformance of WHT 5% and 3%



Source: RRA

1.3.1.4. Pay As You Earn (PAYE)

<p>PAYE taxes</p> <p>Total collection: Rwf 517.4 billion</p> <p>Target: Rwf 466.7 billion</p>	<p>Performance: 111%</p> <p>Annual growth: 21%</p>	<p>Key factors:</p> <p>Salary increase for teachers</p> <p>Casual labour for census</p> <p>Economic growth</p>
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PAYE collections exceeded the target by **Rwf 47.3 billion**. This can be attributed to several factors;

- Increase in teachers' salaries, contributing **Rwf 27.9 billion** to PAYE,
- Casual employees for the 5th population census of Rwanda were associated with **Rwf 2.6 billion** extra PAYE.
- Newly registered companies/institutions contributed **Rwf 7.4 billion** over FY 2022/23. This is significantly influenced by new major Foreign Direct Investment projects and other large domestic investments.

1.3.2. INDIRECT TAXES

1.3.2.1. TAXES ON GOODS AND SERVICES

Taxes on goods and services in FY 2022/23 were 98.6% of the target, a shortfall of Rwf 15.1 billion, though this still represents strong annual growth of 19.0%, slightly lower than the projected growth of 20.7%. Farther details of the performance of taxes on goods and services are explained below:

1.3.2.1.1. Net VAT collections

Net VAT taxes: Total collection: Rwf 698.2 billion Target: Rwf 718.8 billion	Performance: 97.1% Annual growth: 16.3%	Key factors: Growing proportion of non-taxable sales Inflation
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1.3.2.1.2. Domestic VAT

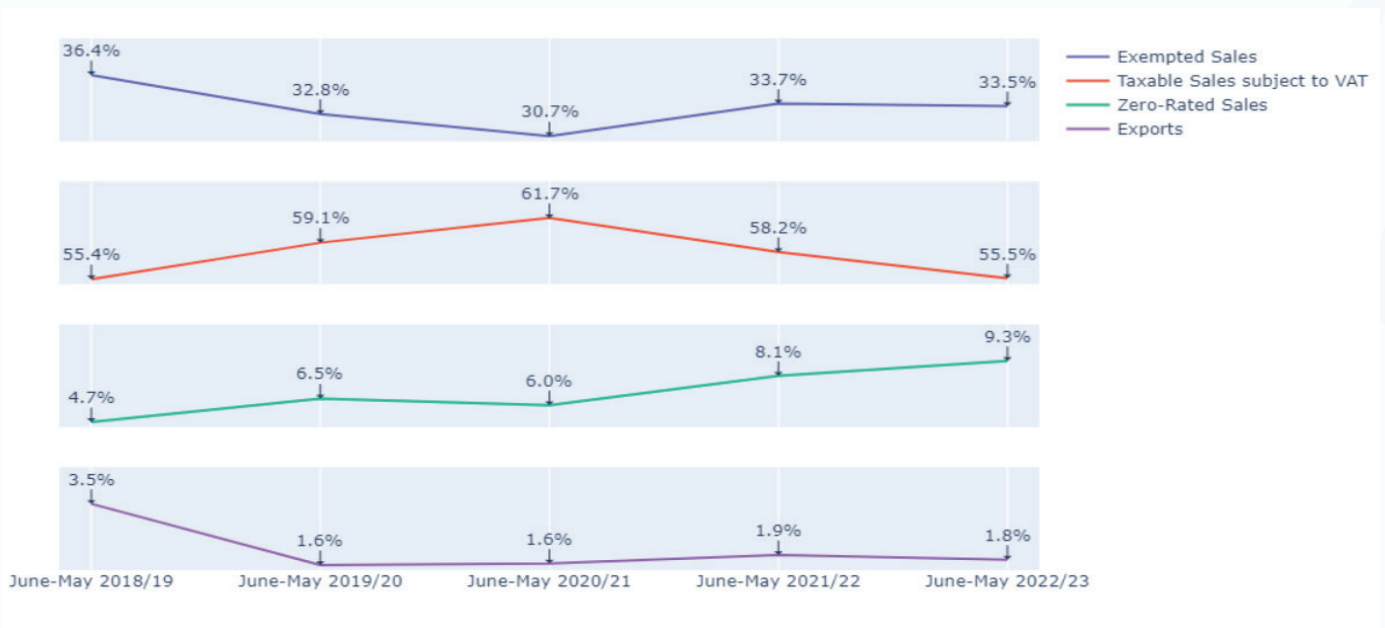
Domestic VAT taxes Total: Rwf 480.4 billion Target: Rwf 502.5 billion	Performance: 95.6%, Annual growth 12.9%	Key factors: - Increase in proportion of non-taxable sales - Weak performance of VAT withholding payments
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The following paragraphs present the details of the main reasons behind the VAT performance during fiscal year 2022-23. These are; an increase in non-taxable sales, and the weak performance of VAT withholding payments.

Increase of non-taxable sales

Turnover growth has been strong, reaching 31.7% year-on-year growth for June-May 2022/23. However, taxable sales as a share of turnover has decreased from 58.2% to 55.5% since last year. This follows a trend since FY 2020/21 whereby the proportion of taxable sales has fallen, shown in Figure 6.

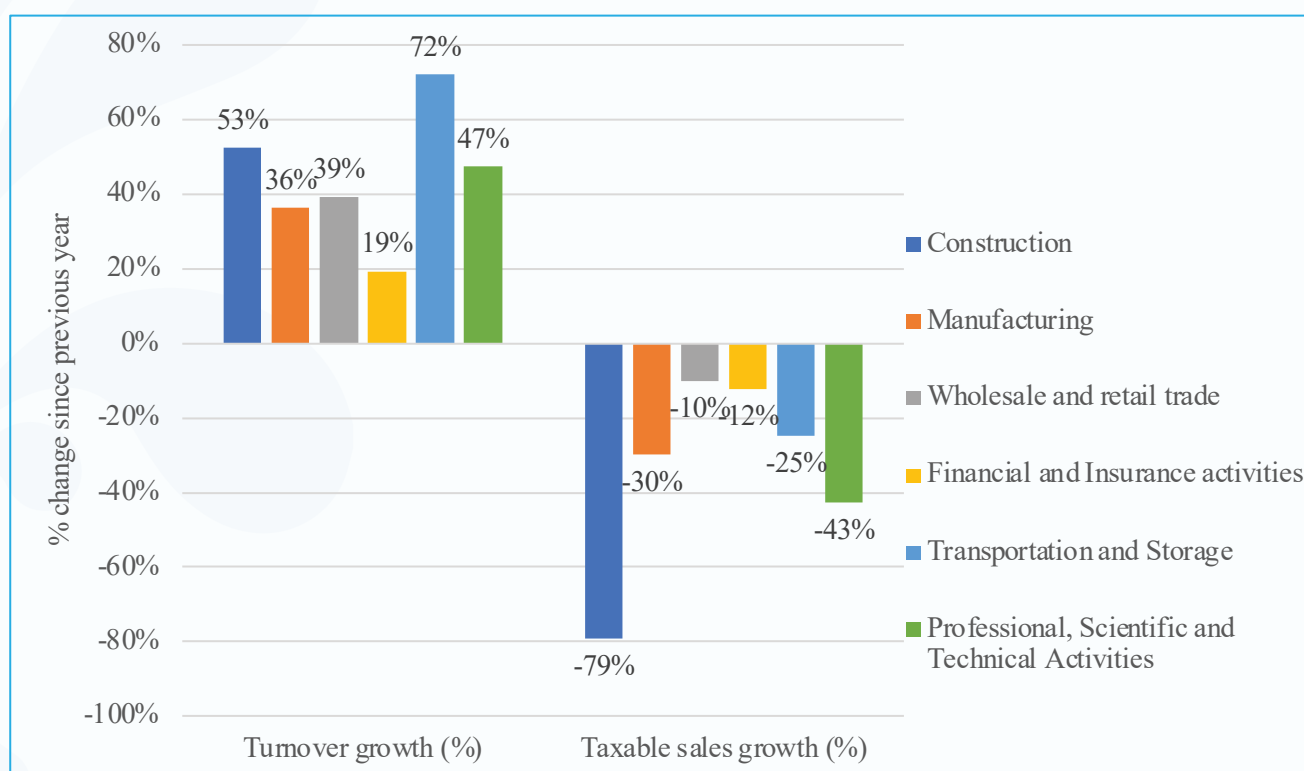
Figure 6: Taxable and non-taxable sales as a percentage of turnover



One of the reasons for the increase of non-taxable sales is the Government policy that exempts construction materials to those who are investing in buildings worth at least Rwf 10 billion. Without exemptions, it would be unusual to see turnover growth in a sector where taxable sales decreased.

Positive turnover growth with negative taxable sales growth is seen in construction, manufacturing, wholesale and retail trade, financial and insurance activities, transport and storage, and professional, scientific and technical activities. The scale of these differences is shown in Figure 7 below.

Figure 7: Turnover growth against taxable sales growth



Source: RRA

1.3.2.1.3. VAT collections on imports

VAT taxes on imports:
 Total collection: Rwf 217.8 billion
 Target of Rwf 216.3 billion

Performance: 100.7%,
 Annual growth: 17.8%

Key factors:
 - Growth in CIF value of imports (29.1%)
 - Indirect impacts of the Common External Tariff Version 2022

The strong performance and high annual growth of VAT on imports is a direct reflection of a good overall performance of customs in FY 2022/23. The 29.1% growth in the CIF value of imports can be attributed to several factors including high international market prices, freight cost and currency depreciation. These factors are discussed in more detail with the performance of taxes on international trade in Section 1.3.5.

VAT is applied after import duties, and so any increase in import taxes will indirectly support VAT revenue as well. The addition of a new 35% tariff rate as part of the EAC Common External Tariff version 2022 directly helped import tax revenues and therefore VAT. However, as the composition of imports shifts towards imports from within the EAC, VAT on imports may be impacted as import duties are applied to a lower proportion of imported goods and services.

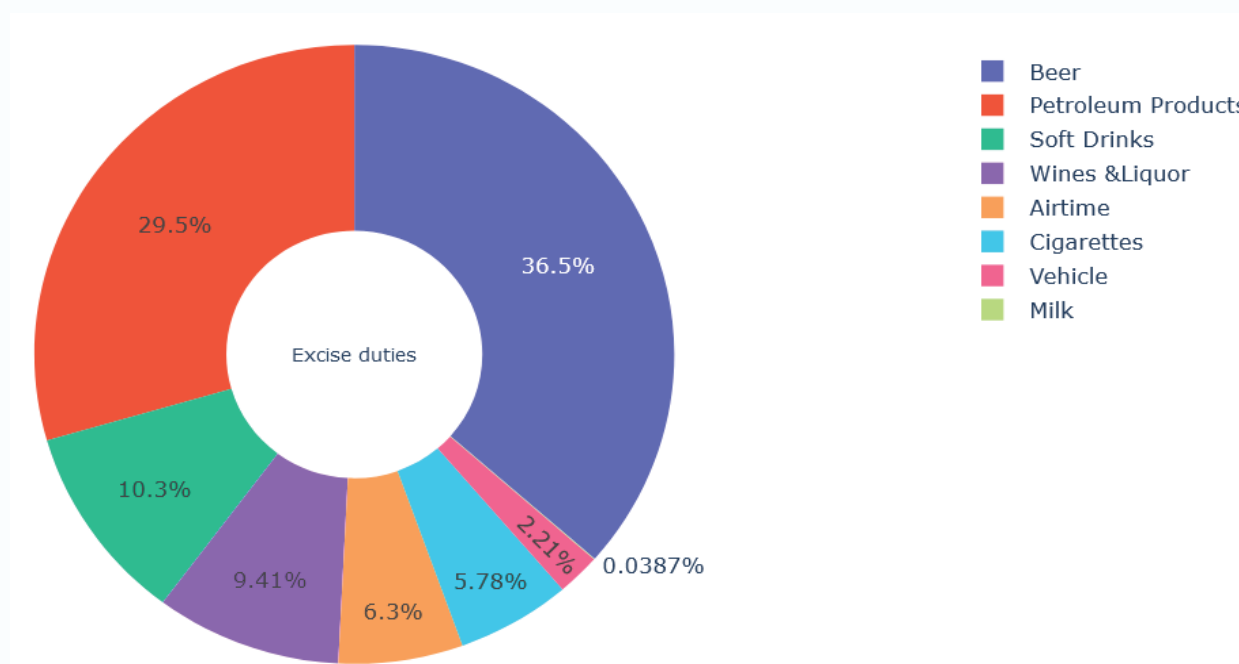
1.3.3. EXCISE TAXES

<p>Excise taxes: Total collection: Rwf 266.7 billion Target of Rwf 269.6 billion</p>	<p>Performance: 99.0%, Annual growth: 15.8%</p>	<p>Key factors:</p> <ul style="list-style-type: none"> - Inflation - Lower disposable income for consumers - Exemption for hybrid/ electric vehicles
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Excise taxes are often levied on goods which have inelastic supply and/or a negative externality in their consumption. These are often nonessential goods, where consumption often falls with disposable income. This has been a key factor that affected excise revenues in FY 2022/23. Another factor is the increased uptake of the tax exemption on hybrid and electric vehicles. This has affected the excise duty collection on vehicles and has long term implications for excise revenues from fuel.

The primary source of excise revenue was from excise duty on beer, accounting for 36.5% of the total revenue collected. The second-highest contributor was excise duty on fuel, accounting for 29.5% of the total revenue. The full breakdown is shown in Figure 8.

Figure 8: : Percentage share of excise by products



Source: RRA

There was an underperformance in excise revenue compared to targets from beer, cigarette, airtime, vehicle, and milk excises, as shown in Table 3. This is attributed partly to inflation and lower disposable income in Rwanda. This is because inflation increased the proportion of income consumers needed to buy essential goods, leaving them with less to buy nonessential items, which have excise duties attached.

Table 3: Excise duty collections by products

	FY2022/23 Target	FY2022/23 Collection	Performance (%)	Annual Growth
Beer	100.2	97.4	97.2%	14.6%
Petroleum Products	77.2	78.7	102.1%	15.3%
Soft Drinks	24.9	27.5	110.5%	40.1%
Wines & Liquor	24.5	25.1	102.8%	15.0%
Airtime	19.2	16.8	87.8%	3.9%
Cigarettes	17.4	15.4	88.8%	7.4%
Vehicle	6.2	5.9	94.4%	14.9%
Milk	0.2	0.1	66.9%	25.8%
Total	269.6	267.0	99.0%	15.8%

Source: RRA

Excise duties are applied both domestically and on imports. Domestic excise taxes for FY 2022/23 amounted to Rwf 147.7 billion, 98% of the domestic target with an annual growth rate of 16.8%. Excise duties on imports reached Rwf 119.3 billion, 100.4% of the import excise target with an annual growth rate of 14.2%. This disparity in performance is attributed to the underperformance of goods typically domestically produced, like beer, airtime, and milk, against the over-performance of typically imported goods such as petroleum and soft drinks.

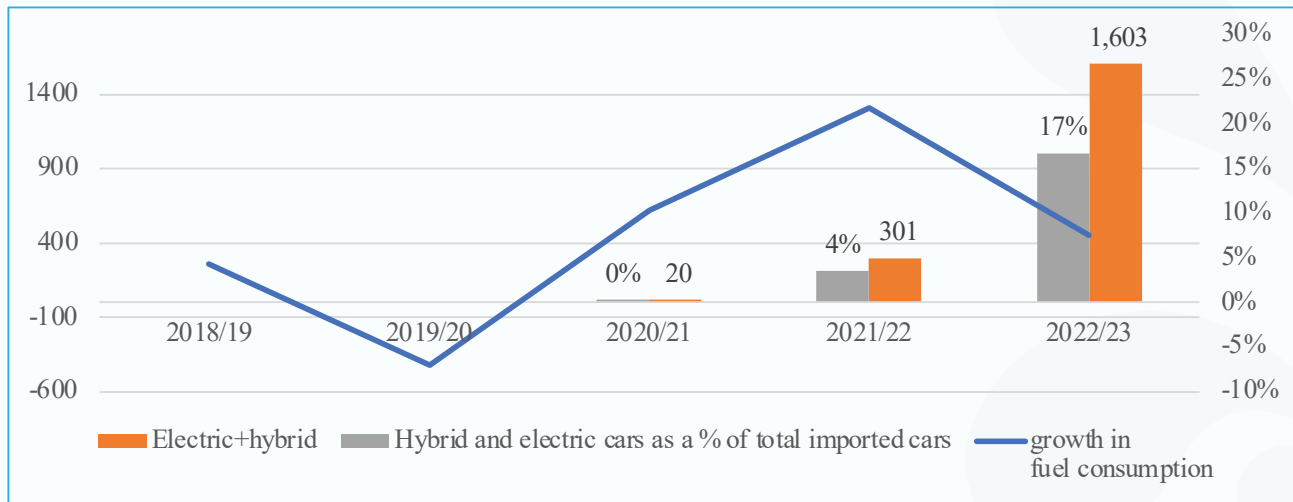
1.3.3.1. Hybrid and electric vehicle tax exemption

There was a noteworthy growth in tax exempted hybrid/electric vehicle purchases in FY 2022/23. Hybrid and electric vehicles, and their spare parts, are currently exempt from all taxes at import, including excise duties, import duties and VAT. They also consume less or no fuel, leading to lower revenue from fuel excise duties.

Figure 9 shows the negative growth of non-hybrid/electric imported motor vehicles and the slowed growth of fuel consumption in 2022/23. The corresponding reduction in non-exempt vehicles has led to revenue foregone in customs duties and taxes of an estimated Rwf 11.9 billion.

Overall, the shift towards hybrid and electric vehicles is negatively impacting government revenue through reduced excise duty and customs revenue. However, this was expected, since it contributes positively to the environment by reducing fuel consumption and the use of vehicles which are less environmentally friendly. This aligns with national efforts to promote environmentally friendly and fuel-efficient transportation, though replacement sources of government revenue need to be considered alongside this transition.

Figure 9: Exempted hybrid/electric car imports, the percentage of total imported cars exempt, and fuel consumption



1.3.4. OTHER TAXES ON GOOD AND SERVICES

1.3.4.1. Road maintenance fund

Road maintenance fund:
Total collection: Rwf 68.2 billion
Target of Rwf 67.7 billion

Performance: 100.7%,
Annual growth: 146.6%
Projected growth: 144.8%

Key factors:
Reinstating the fuel levy rates

The Road Maintenance Fund includes collections from the Fuel Levy and Road Toll. The removal of the fuel levy exemption played a significant role in driving the remarkable annual growth of 146.6%. The fuel levy was reinstated to 115 per litre starting on August 8th, 2022. In terms of absolute value, the collections for the road fund exhibited a year-on-year increase of Rwf 40.5 billion

As mentioned above, a medium- to long-term consideration for the Road Maintenance Fund is the growth of hybrid and electric vehicles in Rwanda. These cars use less or no fuel and so contribute significantly less to the Fuel Levy than non-hybrid/electric vehicles.

1.3.4.2. Mining royalties

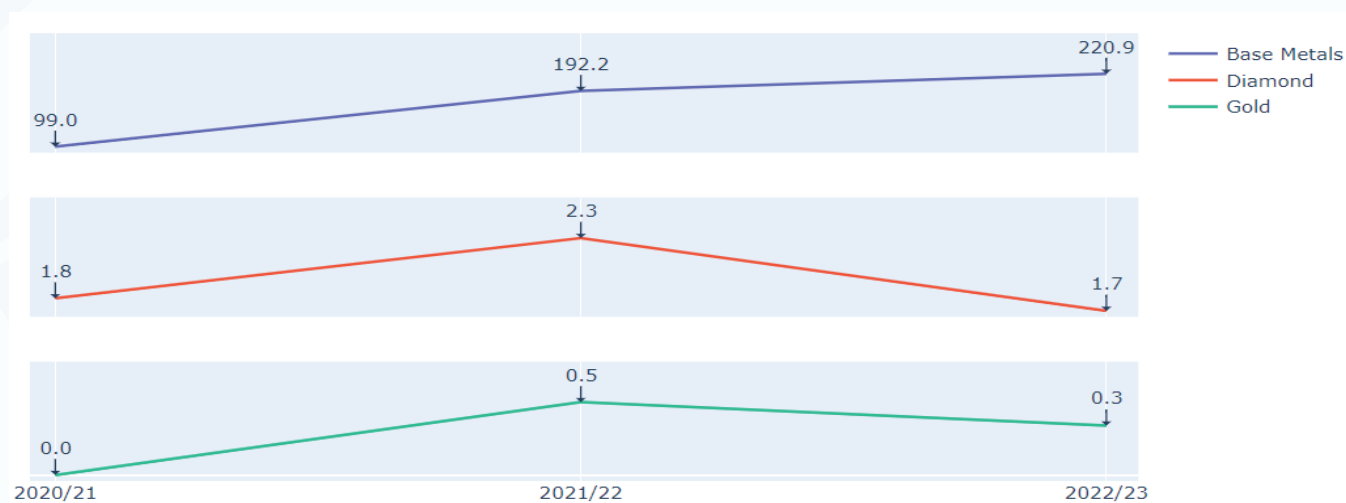
Mining Royalties:
 Total collection: Rwf 8.9 billion
 Target of Rwf 9.1 billion

Performance: 97%,
 Annual growth: 26%
 Projected growth: 23.5%

Key factors:
 Decrease in declared amounts of gold and diamonds

The mining royalties' underperformance can be attributed to the decrease in declared amount of gold and diamonds, which had a significant impact on tax revenue due to their higher tax rates. However, there was an increase in declared amount of base metals, which partially offset this decline. Figure 10 shows trends in these goods over the past three fiscal years.

Figure 10: Mining Declarations by Fiscal Year, FY 2020/21 – FY 2022/23



Source: RRA

1.3.4.3. Strategic reserves levy

Strategic reserves levy:
 Total collection: Rwf 15.1 billion
 Target of Rwf 15.5 billion

Performance: 98%,
 Annual growth: 10%
 Projected growth: 13%

The strategic reserves levy is a tax levied on imported fuel. It is a specific tax, with the value of the tax determined by number of litres of fuel. The underperformance of the strategic reserves levy is attributed to the increase in international fuel prices leading to the reduced quantities of fuel imported.

1.3.5. TAXES ON INTERNATIONAL TRADE



International trade taxes include import duties, the infrastructure development levy and African Union levy. The collection from international trade taxes reached Rwf 169.6 billion, exceeding the target of Rwf 155.5 billion by 9.2%. This represents a remarkable growth rate of 27.8% compared to the previous fiscal year, which already exceeded the projected growth rate of 17.0%.

The performance of taxes on international trade was positively impacted by freight cost-driven CIF increases, currency depreciation, changes in the import composition, and the implementation of the EAC common external tariff (CET) version 2022. However, the performance is negatively impacted by the tax exemptions placed on many imported goods.

Administrative measures to improve compliance include the updating of RRA database, and automating customs valuation systems. This also helped the growth in CIF and performance of international trade taxes in 2022/23.

Freight Cost-Driven CIF Increase

The rise in freight costs, particularly due to the impact of the Ukrainian-Russian war on fuel prices, has significantly impacted the performance of tax on international trade by inflating CIF values. This increase in freight costs has also led to an overall increase in prices.

Between 2018/19 and 2022/23, CIF experienced substantial growth, with an average annual growth rate of 14.9%. The most significant growth occurred in 2022/23, with a remarkable 29.1% increase in CIF compared to the previous year. However, Figure 11 shows that the freight and insurance components of CIF have grown significantly more than total CIF since the outbreak of the Ukrainian-Russian war, with growth in the freight and insurance components reaching 84.9% in fiscal year 2022/23.

This decoupling of CIF and Freight & Insurance growth rates has led to an increase in the percentage of CIF made up of Freight & Insurance. From 2017/18 until 2020/21, the ratio remained stable at around 2.0%. In the last two years, this has risen to 3.6%, shown in more detail in Table 4.

Figure 11: Growth in CIF and Freight & Insurance for last 5 years

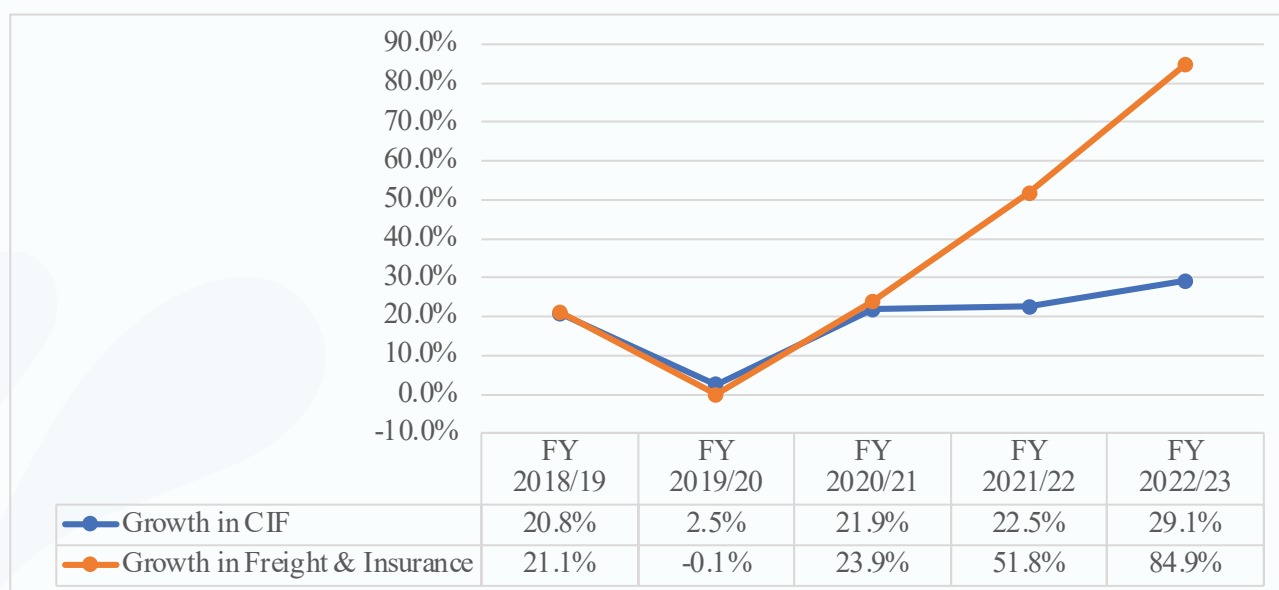


Table 4: CIF and Freight & Insurance for last 5 years

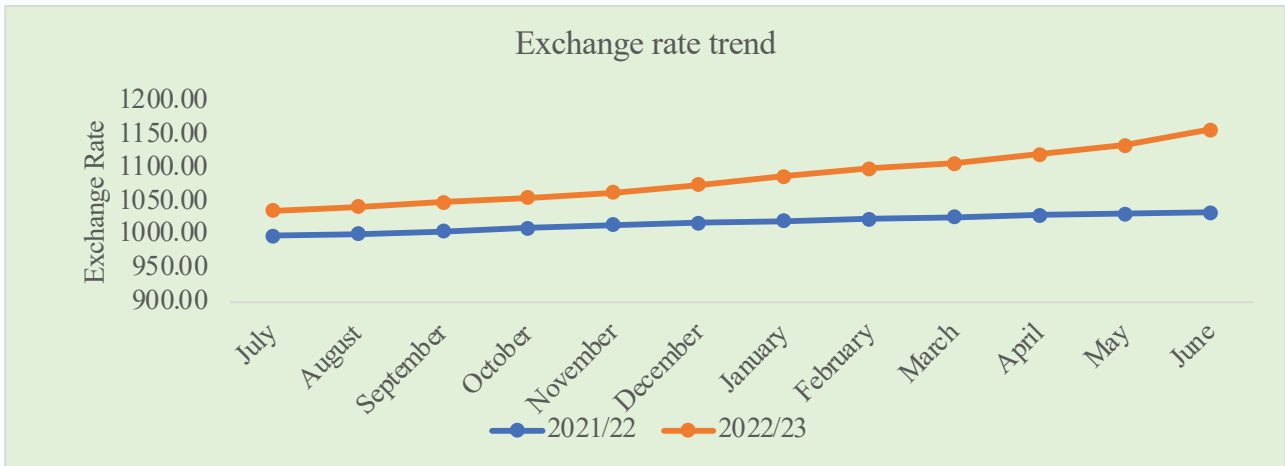
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
CIF (Billion)	1,616.5	1,952.7	2,001.3	2,438.7	2,987	3,857.6
Freight & Insurance (Billion)	33.1	40.1	39.7	49.2	74.7	138.1
Freight & Insurance to CIF Ratio	2.0%	2.1%	2.0%	2.0%	2.5%	3.6%

Currency Depreciation

The exchange rate for the FY 2022/23 increased by 11.7%. This is a significant depreciation that indicates a higher value of foreign currencies relative to the Rwandan Franc. This depreciation is also higher than the depreciation over FY 2021/22 of 3.74%, as shown in Figure 12.

The depreciation of the local currency can have mixed implications for the performance of tax on international trade. As the local currency depreciates and the foreign currency value of an imported good stays the same, the local currency value of the imported goods increases. This increase in the Rwandan Franc value of imported goods contributes to higher CIF values and, consequently, higher revenue collections from international trade taxes. This is supported by literature which finds that real depreciation of the exchange rate is revenue inducing (e.g. Fierro and Reisen 1990).

Figure 12: Trend of exchange rate for FY 2021/22 versus FY 2022/23



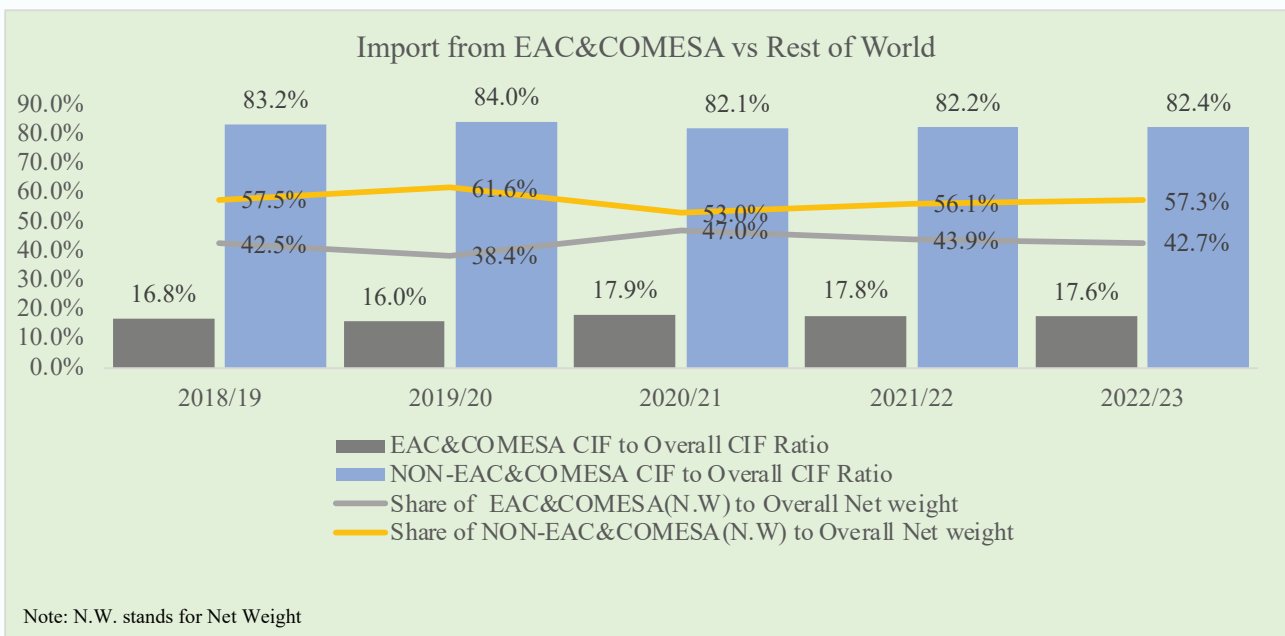
Source: BNR

Shift in Import Composition

Figure 13 shows an increase in the percentage of imports from non-EAC & COMESA countries in FY 2022/23. These are subject to taxes that EAC & COMESA partner states are not, and therefore the shift is beneficial for tax revenues.

RRA has also taken actions this year to improve enforcement on rules of origin, to combat importers to counterfeit origins for tax benefits.

Figure 13: Trend of source of import from EAC & COMESA vs The Rest of the World



Source: RRA

Implementation of EAC Common External Tariff (CET) Version 2022

Effective from 1st July 2022, the EAC Partner States have started applying the new EAC Common External Tariff, adding a 4th tariff band of 35% (CET version 2022). The implementation of new CET version has contributed to increase in import duty compared to the previous version where the 3rd band of 25% tariff was the highest.

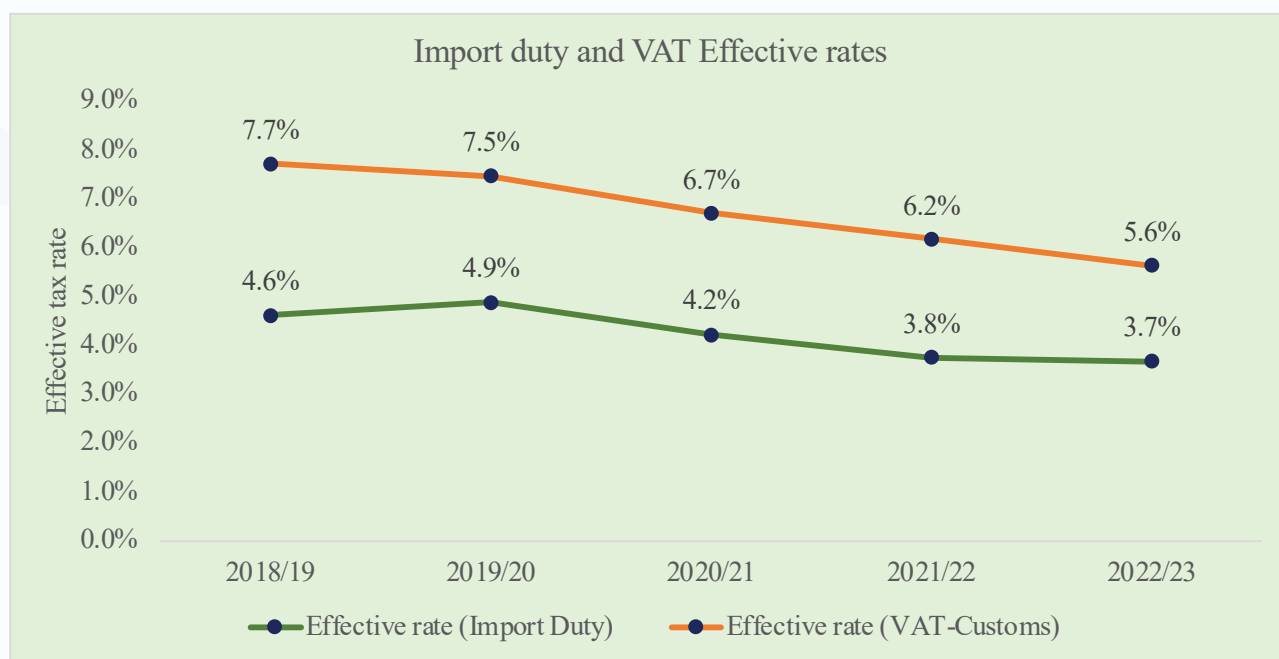
Rwf 7.5 billion of import duty has been collected under this 35% tariff rate which is applied to sensitive items. Rwanda Revenue Authority (RRA) has implemented measures to strengthen the capacity of its customs staff to implement the EAC Common External Tariff (CET) Version 2022.

Exemptions

The effective rates of import duty and VAT have fallen from 4.7% to 3.7% for import duty and from 7.6% to 5.6% for VAT since FY 2014/15, as shown in figure 14. These lower rates make imported goods more affordable, leading to increased consumption and investment. However, these exemptions have resulted in significant revenue losses for the government, with import duty losses totalling 339.1 billion and VAT losses amounting to 285.5 billion.

In recent times, policy measures have introduced exemptions for specific goods, such as rice (costing 1.6 billion VAT-Customs, from April to June 2023) and hybrid motor vehicles and spare parts (costing 11.9 over fiscal year 2022/23). These aim to support consumption and protect the environment respectively, but have knock-on impacts for revenue.

Figure 14: Trend of Effective rate of import duty and VAT for 5 years



Source: RRA

1.3.5.1. Import duty collections

Import duty collections:
Total collection: Rwf 142.1 billion
Target of Rwf 130.7 billion

Performance: 109%,
Annual growth: 26%

Key factors:
As above

Import duty collections make up the majority of taxes on international trade. In FY 2022/23, import duty collections were Rwf 142.1 billion compared to a target of Rwf 130.7 billion, a performance of 109%.

Import duty collections were strongly influenced by the factors discussed above.

1.3.5.2. Infrastructure Development Levy

Infrastructure Development Levy:
Total collection: Rwf 24.4 billion
Target of Rwf 21.8 billion

Performance: 112%,
Annual growth: 35%

Key factors:
As above

Other customer revenues:
Total collection: Rwf 13.4 billion
Target of Rwf 6.8 billion

Performance: 197.0%,
Annual growth: 119%

2.

**ADMINISTRATIVE
MEASURES THAT
SUPPORTED REVENUE
COLLECTION
ACHIEVEMENT**

2. ADMINISTRATIVE MEASURES THAT SUPPORTED REVENUE COLLECTION ACHIEVEMENT

2.1. WIDENING TAX BASE THROUGH TAXPAYER REGISTRATION

Throughout 2022/23, RRA employed various approaches to widen the tax base by bringing more taxpayers into the tax net as required by law. These approaches were centred around the application of various risk rules to identify potential taxpayers to be registered for income tax, PAYE, VAT or other taxes. These approaches led to the registration of a total of 96,334 new taxpayers and this category of taxpayers contributed to a total amount of Rwf 9.3 billion.

Table 5: Tax contribution of newly registered taxpayers in 2022/23

Tax Type	Number of newregistered taxpayers who paid tax	Tax paid by newregistered taxpayers (Bn Rwf)	Total tax paid by alldomestic registered taxpayers (Bn Rwf)	% Contribution of tax paid by new registered taxpayers tototal tax paid
PAYE	1,401	4.7	517.4	0.9%
Profit Tax	2,780	0.3	259.2	0.1%
Excise	39	0.2	147.7	0.1%
VAT	2,433	9.3	691.1	1.3%
WHT	830	4.6	279.3	1.6%
Total (of above)		19.3	1,894.7	1.0%

In addition, as a result of taxpayers' registration initiatives, the active total number of taxpayers in the RRA tax register increased to **466,593 taxpayers (465,378 small, 842 Medium and 373 Larger taxpayers)** as of end June 2023 compared to **381,741** as of end June 2022 equivalent to 22.2% increase in the tax registry.

2.2. TAX AUDITS AND POST – CLEARANCE AUDITS

During this FY 2022/23 RRA continued to strengthen its efforts towards minimizing revenue linkages by conducting effective tax audits;

2.2.1. Small and Medium Taxpayers

A total of 45,531 audit cases (55 comprehensive audits and 282 issue-oriented and 45,194 desk audits) were completed out of 5,758 planned cases. This achievement was due to automation of desk audits in provinces that enabled more desk audits to be conducted.

The initial tax declared by taxpayers (self –assessment) under categories above totalled Rwf 5.6, however, after audit the additional amount billion re-assessed totalled to Rwf 40.4 billion including interest and penalties.

2.2.2. Large Taxpayers

Large Taxpayers' audit cases completed were 74 audit cases (59 comprehensive audits and 11 issue-oriented audits and 4 desk audit) out of 90 cases that were planned in 2022/23 fiscal year, representing an achievement of 82.2%.

The initial tax declared by all large taxpayers totalled Rwf 175.9 billion, however, after audit the additional amount re-assessed totalled to Rwf 16.2 billion including interests and penalties.

Table 6: Tax audits conducted by Domestic Tax Department in FY2022/23

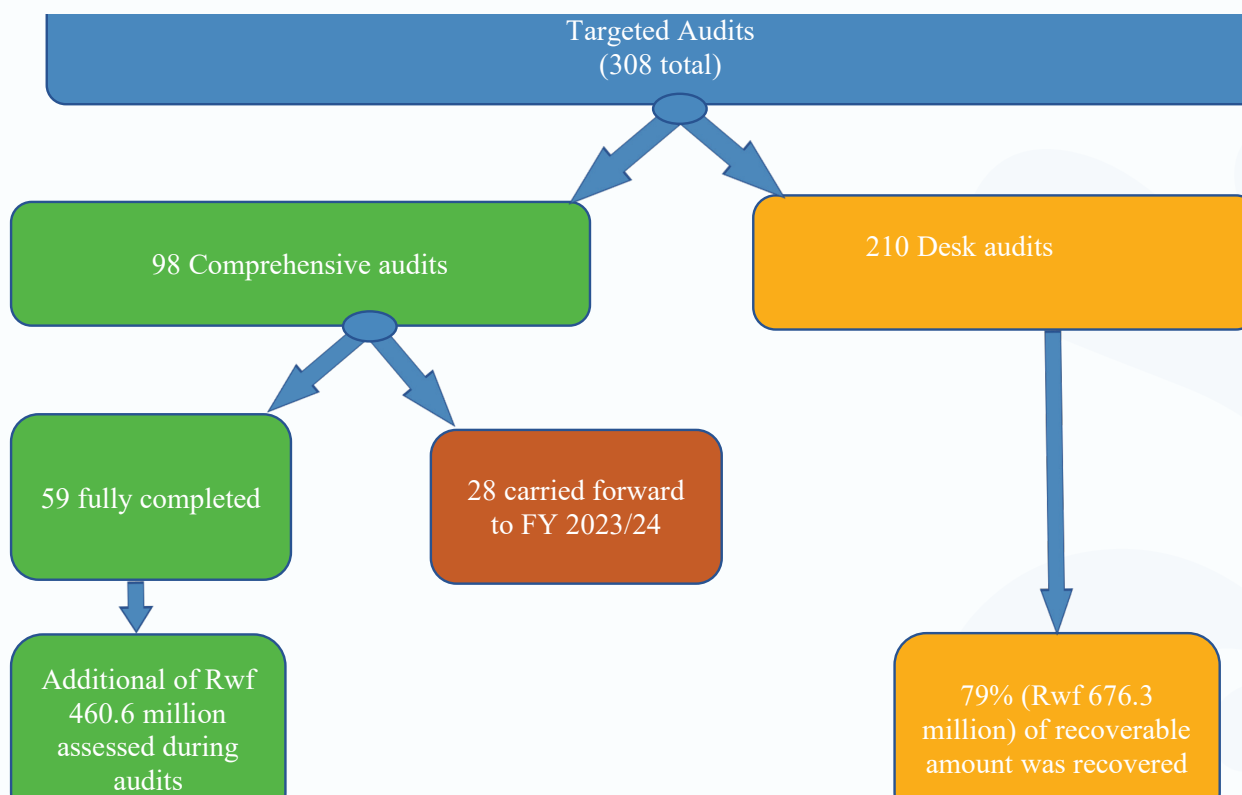
Tax audit type	Number of audit cases in FY 2022/23			Additional amount of tax assessed after final audit (In Rwf billion)		
	Number of planned cases	Audit cases completed	Audited cases with no additional revenue	Principal	Penalties	Total
Desk audits	5,208	45,198	14,263	23.0	12.5	35.5
Issue audits	432	293	15	1.9	0.6	2.5
Comprehensive audits	208	114	2	13.3	3.9	17.2
Total	5,848	45,605	14,280	38.2	17.0	55.2

2.3. CUSTOMS SERVICES DEPARTMENT

Customs Services Department (CSD) completed 269 post-clearance audit cases (59 comprehensive audit cases and 210 issue-oriented cases) against 308 planned; this is an achievement of 90.9%.

The initial tax declared by all audited importers totalled Rwf 233.3 billion. After the full audit process including appeals this number increased by Rwf 0.7 billion.

Figure 15: Customs services audit status versus target 2022-2023



In Addition, 11 out of 98 comprehensive audits cases were conducted but were not completed as of 30th June 2023.

2.4. COMBATING TAX EVASION

RRA continued to strengthen investigation and intelligence operations to minimize revenue leakage through fraud. The number of investigation cases completed during this fiscal year were 58, among these cases 4 are comprehensive investigations cases, 24 immediate assessments, 21 desk investigation cases, 3 issue-oriented cases, and 6 customs investigation cases. The investigations raised additional amount of Rwf 1.03 billion compared to Rwf 217.1 million from tax paid through self-assessment by taxpayers.

In addition, RRA conducted 48 joint anti-smuggling and inspections operations in collaboration with Rwanda National Police, these operations focused on goods most susceptible to smuggling and use of EBM. As a result, 3,207 statements of offence with a value of Rwf 1.7 billion were established compared to 3,198 statements of offence with Rwf 2.8 billion in 2021/22. The most smuggled goods in FY 2022-23 were:

1. Second hand clothes and shoes
2. Loin clothes (Kitenge)
3. Food stuff
4. Lotion (Movit and Bleaching)
5. Alcoholic drinks, especially liquor and wines.

Furthermore, twenty-five (25) cases suspected to have carried out fraud were forwarded for prosecution since fraud is considered as serious crime under tax jurisdiction.

2.5. RECOVERING TAX ARREARS.

2.5.1. DOMESTIC TAX ARREARS

Enforcement operations in Domestic Taxes Department recovered Rwf170.7 billion compared to Rwf65.2 billion recovered during FY 2021/22 representing an increase of 38.1%. The main reason for the increase during FY2022/23 is due to the collections from WHT, where Rwf99.8 billion was collected compared to Rwf8.4 billion collected during 2021/22 period.

Table 7: Domestic tax arrears collections by tax type, in billions of Rw

Tax Type	FY 2022/23	FY 2021/22	Increase /Decrease	% Change
VAT	30.1	26.8	3.3	12.3%
INCOME TAX	19.5	12	7.5	62.5%
PAYE	17.4	12.5	4.9	39.2%
WHT	99.8	8.4	91.4	1,088.1%
EXCISE TAX	3.4	1.1	2.3	209.0%
MINERAL TAX	0.25	4	(3.75)	(93.7%)
GAMING TAX	0.09	0.09	0	0%
TOTAL	170.7	65.2	105.5	161.8%
of which large taxpayers	98.2	13.4	84.8	632.8%
of which Small & medium taxpayers	72.5	51.8	20.7	39.9%

Despite efforts made in recovering tax arrears, there are still large amounts of unrecovered domestic tax arrears. Total stock of domestic tax arrears (large, medium and small taxpayers) at the end of the 2022/23 fiscal year amounted to Rwf 690.6 billion. This represents a year-on-year growth of 31.6% from the Rwf524.8 billion stock of arrears at the end of 2021/22. However, out of total tax arrears totaling to Rwf43.2 billion equivalents to 6.2% is classified as irrecoverable tax arrears.

Table 8: Domestic tax arrears by age 2022/23

Age	Large taxpayers	Small and medium taxpayers	Total tax arrears	Percentage share to total tax arrears
Less than 3 months overdue	1.4	26.3	27.7	4.01%
Between 3 and 6 months overdue	2.9	16	19	2.75%
Between 6 and 12 months overdue	20	45.6	65.6	9.50%
More than 12 months overdue	123.9	454.2	578.2	83.72%
Total	148.3	542.2	690.6	100%

2.5.2. CUSTOMS TAX ARREARS

Customs Services Department recovered arrears amounted to Rwf 17.4 billion compared to Rwf 28.6 billion recovered during FY 2021/22 representing a decrease of 11.2billion. Detailed information is given in the table below.

Table 9: Customs tax arrears collection and stock of arrears as of end June 2023 (billion Rwf)

	Arrears as of June 30th 2022	New arrears	Arrears collected	Stock of arrears
Total Taxes and Duties	2.8	10.0	4.8	8.0
Total Fines	1.5	7.6	1.3	7.8
Total Taxes and duties on imports from public institutions	81.2	46.1	11.2	116.1
TOTAL	85.5	63.7	17.3	131.9

2.6. STRENGTHEN USAGE OF ELECTRONIC INVOICING SYSTEM

During FY 2022/23, RRA continued to strengthen electronic invoicing system by extending various electronic invoicing facilities suitable to our taxpayers' specific needs. The following EBMplatforms are available for usage in issuing EBM receipts;

- 1. EBM Software:** This system is installed on a taxpayer's computer (desktop, laptop, tablet or POS) for large and medium taxpayers as well as others who may apply for it. This system was used by 49,110 taxpayers in 2022/23 compared to 41,190 taxpayers from FY 2021/22, an increase of 7,920 taxpayers with percentage of 19.2%.

2. **EBM Mobile System:** This system is installed on taxpayer's smart phones. Issuance of EBM receipts is done through an SMS. Eligible taxpayers to this solution are those whose annual turnover does not exceed Rwf 20.0 million. This system has been used by 29,261 taxpayers in 2022/23 compared to 22,019 taxpayers from FY 2021/22, an increase of 7,242 taxpayers with percentage of 32.8%.
3. **Online EBM.** This internet-based EBM solution enables taxpayers to issue EBM receipts whenever and wherever they are. Eligible taxpayers for this solution are those in the service sector whose annual turnover does not exceed Rwf 20.0 million, and do not issue receipts frequently. This system was used by 6,758 taxpayers in 2022/23 compared to 3,235 taxpayers from FY 2021/22, an increase of 3,523 taxpayers with percentage of 108.9%.
4. **Online Sales Data Controller.** This solution is particularly designed for large, medium and small taxpayers who have their own invoicing systems to issue receipts over the internet. Online SDC is integrated to taxpayers' own system that interact with EBM system while issuing receipts online. This system was not used by taxpayers in FY 2022/23.
5. **Virtual Sales Data Controller.** This system works like Online Sales Data Controller except that it can continue operating while offline. Owners of such systems also express their integration request to RRA using the above-mentioned email address. In 2022/23, 1400 taxpayers used this system compared to 960 taxpayers in FY 2021/22.

Migration from e-invoicing system V.1 to V.2: RRA phased out the use of EBM V.1 and continued to sensitize and facilitating taxpayers to acquire EBM V.2 EIS. Installation of e-invoicing software was done to taxpayers' machines and training provided to end users. As of end June 2023 the total number of taxpayers who had EBM V.2 totaled to **84,448** compared to **52,862** taxpayers who had e-invoicing system EBM V.2 by end June 2022. The number of taxpayers having e-invoicing system EBM V.2 as of 30th June 2023 accounted for **92.6 %** of total number (91,182) of taxpayers having e-invoicing system at the same period.

Extension of EBM usage to non-VAT registered taxpayers (NVRTs) continued throughout fiscal year 2022/23, As a result **46,132 non-VAT** taxpayers had EBM V.2 compared to **33,624** taxpayers as end June 2022.

2.7. TAX EDUCATION AND INFORMATION

One of RRA's key functions is to promote taxpayers' voluntary compliance through education and awareness. During FY 2022/23, RRA carried out various taxpayers' education and sensitization campaigns intended to expand knowledge on tax matters and strengthen taxpayers' engagement national wide. Major activities carried out include the following;

1. Organized and conducted 91 tax education sessions and workshops, these workshops include; education of taxpaying community, stakeholders, and general public through consultative meetings, workshops, tax dialogues, mobile promotions and seminars.
2. Enhanced Customer Experience Management for the purpose of improving customer loyalty (and create advocates) through valued and memorable customer interactions. In this regard the following activities were performed;
 - Taxpayers account were updated to enable their efficient management: Automated messages informing taxpayers to change tax regime or change from quarterly to monthly declaration as per their turnover. In the same way, Tax Clearance Certificate application was automated to lessen the duration.
 - Capacity of RRA internal systems improved for effective service delivery; such as EWS, E-Tax and LGT accessible twenty-four hours, The Use of EBM has been expanded with new solutions in place, and regular technical assistance to taxpayers are provided efficiently.
 - A one Stop Centre has been established at RRA Headquarters and service centres opened in different areas in Kigali City. Valuing our customers will always remain our priority.
3. Facilitated/Organised 56 Tax Advisory Council Meetings conducted in all districts and the City of Kigali.
4. Conducted fourteen (14) communication campaigns to increase awareness on the following tax aspects; Quarterly income tax prepayment, quarterly VAT and PAYE Declaration and Payment, taxpayer Appreciation Month information, Local Government tax declaration and payment (Trading License, Rental Income Tax and Property Tax), Annual Income Tax (2022) declaration and payment, Anti-Smuggling campaigns, new Tax Clearance Certificate(TCC) Application system, De-registration process, and Buyers' TIN protection.
5. Developed the interface of RRA Website, run a communications campaign on the readiness of Electronic Document Management System (EDMS) and was translated in Kinyarwanda and French.
6. RRA leveraged on technology and emphasized content marketing:
 - Produced and deployed social media contents to RRA social media platforms on a weekly basis. The content included educational information, and official communications such as administrative announcements and other important initiatives/changes in taxes procedures.
 - Uploaded 20 tax education and promotional videos on the RRA YouTube channel;
 - Shared tutorial videos, links and announcements through WhatsApp to enlarge the reach of target audience.

7. RRA celebrated the 20th taxpayer's appreciation month with the theme **"Pay Tax Build A better Rwanda"**. During the celebration month, the following activities were carried out;
 - a. Organized the Taxpayers Appreciation Month (TAM) 2022 Launch to engage targeted audience as well as regularly making awareness to the entire public;
 - b. Taxpayers' Appreciation Month took place in all districts and the event concluded by celebrations at national level during which best taxpayers at national level were appreciated;
 - c. Organized the Creative Industry challenge as part of the TAM 2022;
 - d. Organized the Taxpayers Volleyball Tournament as part of the TAM 2022 through which different tax information was transmitted to participants and fan base;
 - e. Provided financial support to Taxpayers affected by earthquake in Rubavu District as part of the TAM 2022 and RRA social responsibility concern;
 - f. Celebrated the Taxpayers Appreciation Day at National Level where RRA in collaboration with the Ministry of Youth and Culture (MYCULTURE). During this celebration, the various actors presented creative pieces (songs, arts, poems, drawings etc.) that emphasizes RRA mandate as well as taxpayers' appreciation in order to widen the reach and acceptance of the role of taxes in national development amongst the juveniles.



Taxpayers' appreciation 2022 aimed at reporting achievements in tax collection for the year 2021/2022 and recognizing Best Compliant Taxpayers.

8. RRA's online and social media presence, interactivity and activeness

Created and deployed content on RRA Twitter handle, Facebook page and Instagram account, and attended to online queries from RRA Social media platforms. By the end of June 2023, the

engagement rate stood at 2.8%. RRA encourages taxpayers to always visit our social media and online services. RRA shall endeavour to respond immediately to customers concerns without necessarily coming to our premises.

9. RRA developed different online systems to facilitate taxpayers easily access our services, systems introduced were;
 - Integration of RRA's payment system with Umwalimu SACCO for tax/fees payment.
 - Automated tax clearance certificate (TCC) application process and issuance of Withholding Tax certificate.
 - Automated issuance of notice of assessments in LGT system for Trading Licence, Rental Income Tax and Property Tax.
 - Platform for individual taxpayers acquiring TIN (Non-business, NGOs and Cooperatives)

2.8. DISPUTE RESOLUTION

Taxpayers' disputes were timely handled either through appeal, amicable settlement committee or court litigation.

In 2022/23, 775 appeals case out of 898 received cases were completed representing 86.3% while 123 cases were rejected due to wrong procedure used that was contrary to the Law.

The amount of taxes discharged by the appeals committee was Rwf 8.07 billion off the originally assessed Rwf 23.2 billion equivalent to 35%, while, taxes discharged by the amicable settlement committee was Rwf 4.6 billion from the Rwf 17.5 billion assessed at appeal level, which represents 26%.

Initially the audit team approved Rwf 1.33 billion of VAT refunds and/or Tax credits. Following the appeals process, an additional Rwf 0.5 billion was approved.

Regarding time taken to resolve tax appeals and amicable settlement, 22.5% of disputes were resolved within good international practice standard of 30 days, most of disputes (77.4%) were finalised over 30 days but within 60 days. For amicable disputes; 0.1% of disputes were resolved over 60 days and within 90 days. The statutory time limit for the completion of a dispute is 60 days in the case of tax appeal and 90 days in the case of an amicable settlement. Table 10 shows time that was taken to finalize disputes in 2022/23 fiscal year.

Table 10: Time taken to resolve disputes (tax appeals) in 2022/23.

Month	Number finalized	Finalized within 30 days		Finalized over 30 days and within 60 days		Finalized between 60 days and 120 days	
		Number	Percent of total	Number	Percent of total	Number	Percent of total
Jul 2022	98	0	0%	98	100%	0	0%
Aug 2022	106	0	0%	106	100%	0	0%
Sept 2022	61	0	0%	61	100%	0	0%
Oct 2022	57	0	0%	57	100%	0	0%
Nov 2022	47	1	2.1%	46	97.9%	0	0%
Dec 2022	52	1	1.9%	51	98.1%	0	0%
Jan 2023	48	0	0%	48	100%	0	0%
Feb 2023	49	1	2.0%	47	95.9%	1	2.0%
Mar 2023	78	16	20.5%	62	79.4%	0	0%
Apr 2023	65	42	64.6%	23	35.3%	0	0%
May 2023	59	59	100%	0	0%	0	0%
Jun 2023	55	55	100%	0	0%	0	0%
12 months	775	174	22.5%	600	77.4%	1	0.1%

During 2022/2023, 93 cases were heard in the Court compared to 86 cases that were heard in previous FY 2021/22. Among 93 cases heard in the court, 78 cases were ruled in favour of RRA equivalent to 83.9% while 13 cases were ruled in favour of the taxpayer's equivalent to 13.9%, and 2 cases were partially won by RRA and the taxpayer which represents.

2.9. REVIEWING AND DRAFTING LEGAL INSTRUMENT

During 2022/23 fiscal year, RRA participated in drafting and reviewing some of the tax legal instruments and provided advices on tax issues to its stakeholders. In this regard RRA actively participated in;

- i. Drafting Ministerial Orders implementing Law No 027/2022 of 20/20/2022 establishing taxes on income;
- ii. Drafting Ministerial Order implementing Law No 020/2023 of 31/03/2023 on tax procedures;
- iii. The discussion of the Law on tax procedure which was gazetted in the Official Gazette on 31/03/2023;

- iv. The discussion of the Law No 049//2023 establishing Value added gazetted on 14/09/2023;
- v. The discussion of the Law No 48/2023 determining the resources of revenue and property decimalized entities gazetted of 14/09/2023;
- vi. The review process of the amendment of EAC Customs Management Act and Regulation;

Moreover, the following public rulings were prepared and published;

1. Public ruling of the commissioner General on article 18 and 24 of Law No 016/2018 of 13/04/2018 establishing Taxes on Income (food and beverage for hospitality industry);
2. Commissioner General ruling on Article 13 of Law No 025/2019 of 13/09/2019 on establishing the excise duty.

3.

**RRA KEY
PERFORMANCE
INDICATORS**

3. RRA KEY PERFORMANCE INDICATORS

RRA adopted key areas to which performance is monitored, thus in addition to the revenue performance report and administrative measures that contributed to the performance achieved, it's worth observing how our key areas of focus performed. Table 11 shows a summary of the key performance indicators, with following section providing further analysis and other indicators which are of interest.

Table 11: Selected RRA Key performance indicators rates for 2020/21 until 2022/23

Performance Indicators	Status FY 2020/21	Status FY 2021/22	Status FY 2022/23
Tax revenue as percentage of GDP	15.9%	15.8%	15.0% ¹
Tax revenue (excl. LG taxes) as percentage of national budget.	47.2%	49.6%	47.2%
On time filing rate for large taxpayers (CIT/PIT, VAT, PAYE)	CIT/PIT: 99.3%	CIT/PIT: 96.9%	CIT/PIT: 97.4%
	VAT: 97.5%	VAT: 97.3%	VAT: 96.6%
	PAYE: 96.9%	PAYE: 97.5%	PAYE: 96.3%
On time filing rate for medium taxpayers (CIT/PIT, VAT, PAYE)	CIT/PIT: 91.1%	CIT/PIT: 98.8%	CIT/PIT: 99.1%
	VAT: 96.3%	VAT: 94.5%	VAT: 93.0%
	PAYE: 93.6%	PAYE: 94.3%	PAYE: 93.3%
On time filing rate for small taxpayers (CIT/PIT, VAT, PAYE)	CIT/PIT: 92.3%	CIT/PIT: 92.1%	CIT/PIT: 62.7%
	VAT: 85.9%	VAT: 86.4%	VAT: 87.1%
	PAYE: 75.5%	PAYE: 90.8%	PAYE: 90.1%
Value of tax payments made on time for large taxpayers	CIT/PIT: 92.3%	CIT/PIT: 98.6%	CIT/PIT: 97.9%
	VAT: 95.7%	VAT: 94.4%	VAT: 99.7%
	PAYE: 96.2%	PAYE: 96.0%	PAYE: 99.0%
Value of tax payments made on time for medium taxpayers	CIT/PIT: 90.2%	CIT/PIT: 87.5%	CIT/PIT: 97.7%
	VAT: 91.3%	VAT: 93.0%	VAT: 96.1%
	PAYE: 94.1%	PAYE: 94.3%	PAYE: 98.6%

3 Includes central taxes and LGT and adopted GFS 2014

Value of tax payments made on time for small taxpayers	CIT/PIT: 95.2%	CIT/PIT: 86.4%	CIT/PIT: 88.6%
	VAT: 89.7%	VAT: 89.6%	VAT: 92.4%
	PAYE: 96.0%	PAYE: 95.9%	PAYE: 95.9%

3.1. 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. A high ratio is considered as a proxy for financial independence, and sustainability of the nation. Table 12 shows GDP growth trend for the last seven fiscal years:

Table 12: Trend of tax to GDP ratio in Rwanda in billions of Rwf (2015/16-2022/23)

Fiscal Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Tax Revenue (billion Rwf)	1,086.5	1,234.1	1,399.5	1,494.8	1,635.8	1,892.6	2,291.9
Nominal GDP (billion Rwf)	7,125	8,014	8,713	9,399	10,279	11,976	15,283
Tax to GDP ratio	15.2%	15.4%	16.1%	15.9%	15.9%	15.8%	15.0%

Tax to GDP ratio rate decreased by 0.7% from 15.8% to 15.0% in FY 2022/23. The main reasons for the decrease are attributed to the following macroeconomic factors;

The Tax-to-GDP ratio has declined from 15.8% in 2021/2022 to 15.0% in 2022/2023. This is due to a slower rate of tax revenue growth compared to the expansion of the Gross Domestic Product (GDP). Several factors may contribute to this phenomenon:

- 1. Tax Policy Changes:** Recent tax policy changes, including reductions in tax rates, tax brackets and new exemptions to taxes, have reduced the effective tax rate in Rwanda and slowed revenue growth. This is particularly evident in the increase in imports falling under the e-mobility exemptions scheme, leading to an estimated Rwf 14 billion in revenue foregone in the fiscal year 2022/2023. The exemption of VAT on rice and maize flour, both domestically and imported, has also had a notable impact on tax collections. The VAT refund retention rate has also been increased from 12 to 15%, largely as a result of more exemptions, and is attributed to Rwf 11.5 billion in revenues foregone. Overall, the revenue foregone increased by 21.2%, negatively affecting total tax collections and subsequently the tax-to-GDP ratio.
- 2. Economic Growth Composition:** Changes in the composition of economic growth can also affect the tax-to-GDP ratio. For example, the agriculture sector contributes only 1% of tax revenues whilst the industry sector contributes 20% of tax revenues. Therefore 43% growth in the agriculture sector benefits GDP more than it impacts tax revenue. Equally, and linked to the point above, tax exemptions should be considered

based on the importance of the sector to tax revenue. Tax policy changes reduced tax revenue from the industry sector by 17.1%, a significant component of total revenue.

- 3. Inflation:** In FY 2022/23, prices increased 17.8% overall, including a 46% increase in the agriculture sector, 21% in the industry sector, and 8% in the services sector. With consumers allocated larger proportions of their budget to untaxed food items, less is left for spending on taxed products resulting in lower overall tax collections on goods and services (Actual 18.7% against projected 20.7%).

External Factors: An increase in international fuel prices had a negative impact on excise revenue from petroleum products, which are subject to specific tax rates of 150 Rwf/l for diesel and 183 Rwf/l for gasoline. This is because as prices increase, consumers can afford to buy less. The specific tax rates mean tax revenues suffer due to lower volumes imported, but do not benefit from higher prices changes. This is especially noticeable when compared to the hybrid specific vs ad valorem excise revenues from cigarettes, which increased as prices rose.

3.2. 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 increased from 49.6% in 2021/22 to **50.8%** in 2022/23. **Table 13** gives more details;

Table 13: Percentage of tax revenue to national budget in Rwf billions

Fiscal year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total Fiscal revenues (billion Rwf)	1,305.9	1,483.5	1,578.2	1,732.3	1,985.1	2,419.1
National Budget (billion Rwf)	2,115.3	2,565.7	3,017.1	3,464.8	4,441	4,764.8
Tax as % of Budget	61.7%	57.8%	52.3%	50.0%	44.7%	50.8%

Source: MINECOFIN and RRA, 2023

3.3. USE OF ELECTRONIC FILING FACILITIES.

This indicator measures the extent to which declarations, for all core taxes, are filed electronically without the direct intervention of tax administration. Table 14 shows the electronic filing status in four past fiscal year.

Table 14: Use of electric filing (% of all declarations)

Tax type	FY 2019 /20	FY 2020/21	FY 2021/22	FY 2022/23
EXCISE	100.0%	100.0%	100.0%	99.9%
CIT	100.0%	99.0%	98.7%	99.9%
PAYE	100.0%	100.0%	99.9%	100%
PIT	100.0%	97.4%	99.4%	100%
VAT	99.9%	97.3%	96.1%	98%

Note that the rates under **100%** were due to some cases where RRA staff provided support to taxpayers using their own personal access rights and this facilitation not considered as electronic filing

3.4. TAX ARREARS AS A PERCENTAGE OF TOTAL TAX REVENUE COLLECTIONS

This indicator looks at the ratio between taxes due to the government but not paid (tax arrears) relative to total taxes due and collected (tax revenue collections). The ratio indicates the relative performance of tax administration in tax debt recovery.

A ratio below 10% indicates performance that meets or exceeds international practice. A ratio from 10% to 20% indicates a healthy level of performance but below international good practice. A ratio above 20% indicates weak performance relative to international good practice.

Table 15: Total collection from tax arrears as % of total tax revenue collection 2022-2023

Tax Office	Total collection from arrears (Billions of Rwf)	Total revenue collection (Billions of Rwf)	% of total tax arrears collection to total tax collection
LTO	98.2	922.2	10.6%
SMT0 & Provinces	72.5	736.6	9.8%
Total DTD	170.7	1,658.8	10.2%
Customs	17.4	642.2	2.7%
Total tax arrears	188.1	2,301.0	8.1%

Table 16: Value of total tax arrears as % of total tax revenue collection 2022-2023

Tax Office	Value of total tax arrears (Stock) as of 30 June 2023 (Billions of Rwf)	Total revenue collection (Billions of Rwf)	% of total tax arrears to total tax collection	Previous year ratios (FY 2021/22)
LTO	148.3	922.2	16.0%	12.4%
SMTO & Provinces	542.3	736.6	73.6%	78.0%
Total DTD	690.6	1,658.8	41.6%	38.2%
Customs	131.9	642.2	20.5%	17.3%
Total tax arrears	822.5	2,301.0	35.7%	32.5%

During the FY 2022/23, the ratio of total tax arrears to total tax revenue grew to 35.7% compared to 32.5% recorded for previous fiscal year. This ratio indicates performance below international practice where the ratio not exceeding **10%** is considered as international good practice.

Table 17: Percentage of total tax arrears as % of total tax arrears collection 2022/23

Tax Office	Value of cumulative total tax arrears (Billions of Rwf)	Total tax arrears collection (Billions of Rwf)	Total tax arrears collection as % of total tax arrears as of total tax arrears collections
LTO	257.4	98.2	38.2%
SMTO & Provinces	614.7	72.5	11.8%
Total DTD	872.1	170.7	19.6%
Customs	149.4	17.4	11.7%
Total tax arrears	1021.6	188.2	18.4%

More efforts in improving the debtors' book are needed. This will require strengthening of enforcement operations, writing off bad debts and continuous engagements with MINECOFIN for recovery of tax arrears owed by government institutions.

3.5. 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.

For this fiscal year, **38,261** out of **45,202 VAT** registered taxpayers had EBM equivalent to **84.6%**. In addition, RRA continued sensitization for EBM (EBM for all) acquisition which resulted in **91,334** taxpayers having EBM EIS by end June 2023.

4.

**IMPLEMENTATION
PROGRESS REPORT
ON THE RRA MAIN
PROJECT**

4. IMPLEMENTATION PROGRESS REPORT ON THE RRA MAIN PROJECT

This report highlights the performance of projects in FY 2022-2023 that aimed at improving services delivery critical to RRA mandate; Key projects that continued to be implemented include:

1. Rwanda Electronic Single Window
2. Authorized Economic Operators
3. Taxpayer's Account and Reconciliation update (TARU)
4. E-Tax Enhancement

4.1. RWANDA ELECTRONIC SINGLE WINDOW:

Rwanda Electronic Single Window (ReSW) is a trade facilitation initiative which interfaces regulatory and business agencies involved in the supply chain into one single window with an objective of reducing and simplifying clearance procedures.

Electronic Cargo Tracking System aims to facilitate in tracking cargo along the corridors of the East African Region in order to have real time information of cargo destined to Rwanda and that Transiting its territory to compliment other enforcement mechanisms in place to deter any possible cargo diversions or dumping. The following are the major outcome that were focussed on and corresponding achievements recorded:

Improved coordination and cooperation in the process of clearing and transiting goods in Rwanda by ReSW stakeholders. This outcome had 3 deliverables which are related to enabling stakeholders involved to retrieve and view Customs declarations, have a risk selectivity in releasing customs declarations by other government agencies and handling e-exemptions through Single Transaction Portal (STP);

Regarding stakeholders being able to view customs declarations, the required development of the solution has been finalized and stakeholders are able to view the customs declarations in the Single Transaction Portal, risk selectivity in releasing customs declaration has been finalized and piloted in all offices of operations for stakeholders (RICA and Rwanda FDA) and all issued encountered on e-exemption were fixed.

In addition, electronic payment, reporting module, and Customs entry/exit card module were finalized. For smooth implementation, Rwanda Revenue Authority worked hand -in -hand with other government Institutions namely RICA, Rwanda FDA, RMB and RURA.

Authorized Economic Operators Services Digitalization as a component of Electronic Cargo Tracking System; the system requirements were developed on both national and on the regional level and validated. The development of the module on the national level was finalized. The module is ready to be deployed on the live environment of the STP to allow applicants to use it for future AEO application and management. Despite that the requirements on the regional level were finalized, its integration awaits the readiness of regional system so that both systems can be able to share on AEO data.

4.2. AUTHORIZED ECONOMIC OPERATORS

This initiative aims at providing incentives to traders involved in international movement of goods, who are compliant with WCO and supply chain security standards. Major deliverables during this fiscal year were:

- 16 new and 39 renewed AEO operators were selected and submitted to EAC secretariat for Gazettement and issuance of certificates in order to commence enjoying EAO Benefits.
- Conducted AEO awareness to 60 Customs staff at borders and ports on how to manage AEO beneficiaries.

4.3. TAXPAYER'S ACCOUNT AND RECONCILIATION UPDATE (TARU)

This project aims to facilitate RRA to update taxpayers' balances and ensure accurate balances are reflected on taxpayer's accounts. It is envisaged that when the Taxpayers Accounts reconciliation project is completed, RRA will realize the following benefits:

- RRA will have timely, reliable and updated taxpayers' accounts for large and medium taxpayers and reduce cost of compliance whilst increasing tax collection efficiency;
- RRA will realize optimal utilization of the E-Tax system and will eliminate any potential risks associated with any cases of unallocated collections and taxpayers on the other hand will track their balances online and improve their efficiency in tax related matters.

The achievement on this project is a continuous from previous years, and this year's achievements are:

- Out of the 375 large taxpayers in scope, 373 taxpayers were reconciled by the project team. From the reconciliations, the total net taxpayer account balances changed from Rwf407.5 billion before reconciliation to Rwf126,4 billion after reconciliation. The changes were mainly due to omitted transactions not recorded in the tax account, data not migrated into the tax account during the data migration process and transactions from suspense account. The reconciled accounts were also updated in E-tax and by end June 2023, 331 taxpayers accounts were updated equivalent to 89% of tax accounts for Large taxpayers.

- Out of the 839 medium taxpayers in scope, 819 taxpayers were reconciled by the project team. From the reconciliations, the total net taxpayer account balances reduced from Rwf 90.0 billion before reconciliation to Rwf48.4 billion after reconciliation.
- Out of the 819 taxpayers reconciled, 786 taxpayer accounts (96%) had been updated in E-tax. The remaining 33 taxpayers (4%) comprising mainly public taxpayers had not yet been updated in E-tax taxpayer accounts by the end June 2023.
- To establish whether all transactions in the suspense account maintained in SIGTAS (RRA systems) represented collections received by RRA, transactions in the suspense account ledgers were matched with transactions maintained in the RRA SIGTAS system and against the information on bank statements. As a result, traced transactions totalling Rwf **79.9 billion** out of **Rwf 85.7 billion** transactions in suspense account (**93%**).

4.4. E-TAX ENHANCEMENT:

The project aimed to have a holistic view of taxpayer's profile within the registration module and their taxpayer's statement of account. It is also intended to connect the VAT refund and credit note process in the E-Tax system so as to update the tax account as timely transactions, synchronize the LGT system with E-Tax so as to have one single source of taxpayer information for all taxes and fees as well as having an informative tax account ledger that is able to display movements within the taxpayer's tax transactions.

In this regard, the following milestones were completed during fiscal year 2022/23;

- New approval levels for the Refund module were developed, tested, and implemented based on the new operating Model within the E-Tax system as well as implementation of new approval levels for the Appeal module based on the new RRA Operating Model.
- Approval levels of the Registration Module as well as respective changes on registration approval and deregistration were developed and implemented in the E-Tax system.
- New approval for audit module and debt management module were developed, tested and deployed in operation.
- Implemented an updated the version of arrears collections report, stock of arrears report, and summary of arrears reports in the BI System as well as implementation of enforcement case monitoring report in the BI system.
- New approval levels for the Quitus Fiscal module as well as online request for Tax arrears certificates was developed, tested, and implemented based on the new RRA operating Model.

5.

**ACHIEVEMENTS TOWARDS
STRENGTHENING
INTERNAL CAPACITY**

5. ACHIEVEMENTS TOWARDS STRENGTHENING INTERNAL CAPACITY

During 2022/23 fiscal year, RRA continued to enhance internal control environment by implementing various activities. Key activities implemented during FY 2022/23 include;

5.1. STRENGTHEN HUMAN RESOURCES CAPACITY (Internal Control system).

RRA performed different initiatives intended to strengthen human resource capacity in different areas that are key to increase efficiency in productivity. These include:

1. Improved employee's engagement and development
2. Enhancing training and development.
3. Other key human resource management initiatives

5.1.1. ENHANCING TRAINING AND DEVELOPMENT

The training and development programs amongst our workforce is an investment that will sustain RRA capacity to collect and sustain efficiency in revenue collection. RRA does this by equipping employees with necessary skills and knowledge required for development and be able to keep a pace with today's competitive business landscape. Thus, during this period, the following courses were delivered;

a. Short training programs delivered

Short training programs delivered as a mean to continuously provide employees with on job skills. In total 45 out of 55 that were planned were delivered, this is achievement of **81.8%**. The overall Training attendance within the fy2022/23 was at 222.1% with **3,536** attendants against **1,592** planned.

b. Professional courses

RRA continued to build skills for its employees by offering trainings that enhance our staff competitiveness. RRA employees benefited from studying professional courses sponsored by the Government of Rwanda through the Ministry of Finance and Economic Planning as well as study opportunities offered by other partner institutions.

In 2022/23 fiscal year, 362 RRA employees were studying professional courses as follows:

25 RRA staff were pursuing the Association of Chartered Certified Accountants (ACCA) course, 218 staff were studying the Certified Public Accountants (CPA) Rwanda, 44 RRA staff were studying CPA Kenya on self-sponsorship, 53 staff were learning the Certified Accountant Technicians (CAT) course, 22 RRA staff were studying Project Management Professional (PMP) while 1 staff was undertaking Certified International Personnel Development (CIPD) online course.

In addition, during 2022/23 fiscal year, 15 RRA staff completed the following professional courses in various domains as follows: ACCA: 1, PMP: 3, CIPD: 1 CPA: 10

RRA continued to bridge skills gaps especially on key and critical areas pertinent for delivery of its mandate. In this regard, E-learning platform was enhanced and 12 courses were conducted online benefiting 868 staffs. The major courses undertaken were: Import & export procedures, Customs Procedure Codes, e-commerce, Income Tax Law, Intellectual Property Rights, Rules of Origin, Law N 027/2022 of 20/10/2022 establishing Taxes on income, WCO Program Global Shield, internal efficiency on correspondences, E-System on EDMS Correspondence course, Data Classification and Labelling Standards as well as Advanced Harmonized System.

5.2. STRENGTHEN INTERNAL CONTROL SYSTEMS

In 2022/2023, 18 out of 16 planned internal audit engagements were completed representing 112.5% of achievement. The QMS audits were periodically conducted to ensure compliance with the standard; in 2022/23 fiscal year, 5 QMS audits were completed against a target of 5 cases that represented 100%.

Maintaining high level integrity amongst our staff is a key foundation for RRA operations, as such during 2022/23 fiscal year, conducted 24 integrity and anti-corruption campaigns out of 24 that were planned representing 100% of achievement. Also 22 investigation cases were completed (73.3%) against 30 planned as of 30 June 2023. The completed investigations involved 33 staff, who were involved in various malpractices. 24 staff were sanctioned whereas 12 were acquitted.

Monitoring of audit recommendations ensures by conducting monthly review meeting both at departmental and corporate level. The implementation progress of audit recommendations as end June exhibits the following status;

- There were 40 open audit issues (recommendations) at the start of the year, among them there are 4 that are either not applicable or beyond RRA Management control. The remaining 36 recommendations implementable, 22 (61%) were fully implemented, 12 (33%) were partially implemented and 2 (6%) that are not implemented.

- There were 145 open audit issues (recommendations) at the start of the year, among them 3 are either not applicable or beyond RRA Management control. The remaining 142 recommendations implementable, 86 (61%) were fully implemented, 21 (15%) were partially implemented and 35 (25%) were not implemented.
- In Financial year 2022/23, we started with 53 QMS open audit recommendations. Out of these, 40 (75 %) were fully implemented (FI), 5 (10%) partially implemented (PI), while 8 (15%) were not implemented.

5.3. OTHER KEY HUMAN RESOURCE MANAGEMENT INITIATIVES

During the 2022/23 fiscal year, other initiatives were implemented to strengthen human resource functions, key among include;

Designed the individual development plans by sharing free e-learning/online trainings with RRA Community. 8 links for Free Online Training Courses that offer Certificates and Diplomas after completion were shared to RRA staff.

Carried out systematic review of training curriculum related to the DTD courses for new income tax law and also Conducted coaching and mentoring program (training); 45 Mentors in managerial roles were trained and qualified as Mentors.

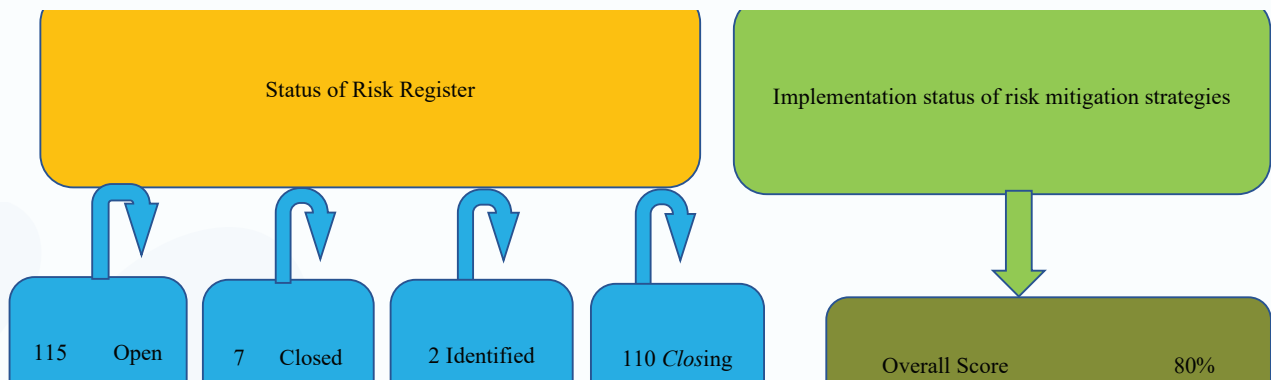
RRA introduced Knowledge Management Strategy for ensuring accurate, consistent, compliant practices and collaboration among tax professionals. So far, created "RRA Knowledge Store "on RRA Server as part of Knowledge management and Sharing Culture. In regard, 50 Departmental Champions were trained.

In transforming a culture of high-performance excellence, RRA continuously made awareness of its Core Values to all staff using different platforms and channels. The emphasis was to ensure that employees understand their obligations while serving our customers.

5.4. RRA RISK MANAGEMENT APPROACHES DURING FY 2022/2023.

During 2022/23 fiscal year, RRA undertook proactive actions to identify and manage risks that may affect its operations. The following key achievements were recorded towards risk management and integration of risk mitigations in RRA operations. The overall rate of the implementation of risk mitigation strategies at the end of the FY 2022-2023 was 80%.

Figure 16: Risk mitigation implementation status for FY 2022-2023



6.

**RRA'S EXPENDITURES
FOR 2022/23 FISCAL
YEAR**

6. RRA'S EXPENDITURES FOR 2022/23 FISCAL YEAR

RRA approved budget for the 2022/23 fiscal year was Rwf 64.3 billion with expenditure totalling Rwf 63.8 billion, representing 99.2% utilisation. The overspending on other expenses was due to approved extra spending of Rwf 0.5 billion to cater for other refunds.

Table 18: Total RRA budget and expenditure in billions Rwf

Expenses	Revised budget	Actual FY	Variance	Performance
Compensation of Employees	36.0	35.7	0.3	99.2%
Use of Goods and Service	22.6	22.1	0.5	98.0%
Social Assistance	0.5	0.4	0.005	98.9%
Other Expenses	1.3	1.8	(0.5)	138.5%
Total Operating Expenses	60.3	60.1	0.3	99.6%
Capital Expenditure	4.0	3.8	0.2	94.1%
Total Expenses	64.4	63.9	0.5	99.2%

7.

**KEY CHALLENGES
FACED BY RRA DURING
2022/23 FISCAL YEAR**

7. KEY CHALLENGES FACED BY RRA DURING 2022/23 FISCAL YEAR

Despite achieving the revenue target, RRA still faces various challenges that deter our efforts from fulfilling the mandate; The main ones include:

Low tax compliance culture. Some taxpayers still have poor compliance despite of RRA compliance initiatives to all sectors with low compliance levels. This is because some taxpayers do not declare and pay their tax; declare but do not pay on time, or intentionally lower their taxable income to evade tax. In addition, some taxpayers are still reluctant to use the Electronic Billing Machines yet it is one of the most effective tools to collect accurate tax information in real time.

Domestic tax arrears remain high. Despite efforts employed to recover tax arrears such as automation of enforcement processes, tax arrears are still high and keep on increasing year on year

Exemptions remain high, limiting the potential tax base for collections. Recent examples include the exemption of hybrid motor vehicles and their spare parts from all import taxes and the Manufacture and Build to Recover Program affecting the construction sector.

Furthermore, high inflation rate primarily driven by an increase in food and non-alcoholic beverage prices affected revenue collection during FY 2022-23.

CONCLUSIONS AND THE FUTURE OUTLOOK

This report aims to capture the performance, achievements, and challenges faced by the RRA in the fiscal year 2022/23. We are proud to announce that the RRA was able to both meet its annual revenue targets and make progress on its medium and long-term plans.

The future for the RRA is to continue making good progress, working to address the challenges identified above. The Medium-Term Revenue Strategy sets the timelines for some of major advancements in Rwanda's tax administration between 2021 and 2024 to fund Rwanda's NST-1 development plans. An annual compliance improvement plan has been prepared for fiscal year 2023/24 which identifies these current compliance issues and aims to address them to some extent. These plans continue to advance the use of technology and automation within the RRA, to lower compliance costs for taxpayers, and to improve tax education and sensitisation throughout the Rwandan population.

As part of this, RRA has restructured to align with the New Operating Model. This will ensure the organisation is better prepared to take on future challenges and to deliver in a way that is consistent with a modern tax authority.

Indeed, we are in a process of developing a new RRA five-year strategy for FY 2024/25-2028/29. This will enable RRA to continue maximising revenue collection while minimizing costs, to serve taxpayers with heart while ensuring that the tax burden is distributed fairly and equitably among citizens and businesses.

ANNEX 1: KEY PERFORMANCE INDICATORS

A summary of RRA Key Performance Indicators from 2019/20 to 2022/23

Performance Indicators	Status FY 2020/21	Status FY 2021/22	Status FY 2022/23
Tax revenue as percentage of GDP	15.9%	15.8%	15.0%
Tax revenue (excl. LG taxes) as percentage of national budget.	47.2%	49.6%	47.2%
VAT collections as a percentage of total tax collections.	32.5%	32.0%	30.7%
% Change in the net total number of taxpayers in RRA tax register.	27.3%	18%	22.2%
Proportion of newly registered taxpayers to net total number of taxpayers in RRA tax register.	22.7%	18.9%	20.6%
On time filing rate for large taxpayers (CIT/PIT, VAT, PAYE)	CIT/PIT: 99.3%	CIT/PIT: 96.9%	CIT/PIT: 97.4%
	VAT: 97.5%	VAT: 97.3%	VAT: 96.6%
	PAYE: 96.9%	PAYE: 97.5%	PAYE: 96.3%
On time filing rate for medium taxpayers (CIT/PIT, VAT, PAYE)	CIT/PIT: 91.1%	CIT/PIT: 98.8%	CIT/PIT: 99.1%
	VAT: 96.3%	VAT: 94.5%	VAT: 93.0%
	PAYE: 93.6%	PAYE: 94.3%	PAYE: 93.3%
On time filing rate for small taxpayers (CIT/PIT, VAT, PAYE)	CIT/PIT: 92.3%	CIT/PIT: 92.1%	CIT/PIT: 62.7%
	VAT: 85.9%	VAT: 86.4%	VAT: 87.1%
	PAYE: 75.5%	PAYE: 90.8%	PAYE: 90.1%
Value of tax payments made on time for large taxpayers	CIT/PIT: 92.3%	CIT/PIT: 98.6%	CIT/PIT: 97.9%
	VAT: 95.7%	VAT: 94.4%	VAT: 99.7%
	PAYE: 96.2%	PAYE: 96.0%	PAYE: 99.0%
Value of tax payments made on time for medium taxpayers	CIT/PIT: 90.2%	CIT/PIT: 87.5%	CIT/PIT: 97.7%
	VAT: 91.3%	VAT: 93.0%	VAT: 96.1%
	PAYE: 94.1%	PAYE: 94.3%	PAYE: 98.6%

Performance Indicators	Status FY 2020/21	Status FY 2021/22	Status FY 2022/23
Value of tax payments made on time for small taxpayers	CIT/PIT: 95.2%	CIT/PIT: 86.4%	CIT/PIT: 88.6%
	VAT: 89.7%	VAT: 89.6%	VAT: 92.4%
	PAYE: 96.0%	PAYE: 95.9%	PAYE: 95.9%
Electronic returns filing rate	EXCISE:100%	EXCISE: 100%	EXCISE: 99.9%
	CIT: 99.0%	CIT:98.7%	CIT: 99.9%
	PAYE: 100%	PAYE:99.9%	PAYE: 100%
	PIT:97.4%	PIT: 99.4%	PIT: 100%
	VAT: 97.3%	VAT: 96.1%	VAT:98%
Value of total tax arrears as a percentage of total tax Value revenue collections.	DTD: 41.8%	DTD: 27.4%	DTD:42.3%
	CSD: 15.0%	CSD: 17.3%	CSD:20.5%
	Total: 34.0%	Total: 32.5%	Total: 35.7%
Tax arrears more than 12 months old as a percentage of the value of all tax arrears.	DTD: 77.6%	DTD: 77.6%	DTD:83.7%
	CSD: %	CSD: %	CSD: 10.7%
	Total: 58.9%	Total: 66.7%	Total:72.0%
Amount collected from tax arrears as percentage of available debts to collect.	LTO: 10.3%	LTO: 20.6%	LTO: 38.2%
	SMTO & Regions: 9.0%	SMTO & Regions: 79.4%	SMTO: 11.8%
	CSD: 21.1%	CSD: 24.5%	CSD: 11.7%
		Total: 14.5%	Total: 18.4%
Number of tax appeal's cases ruled by courts in favour of tax administration as a percentage of total number of tax appeal's cases ruled by courts.	71.3%	73%	83.8%
Number of importers benefiting from fast track and facilitation schemes (Gold card scheme and AEO program).	13,941	13,779	13,818
Number of VAT registered taxpayers having an electronic invoicing system certified by the Tax administration as percentage of total VAT registered taxpayers.	84.6%	87.3%	84.6%
Staff turnover rate (only staff who left the institution voluntarily e.g., leave of absence and resignation).	0.96%	2.3%	2.8%

Performance Indicators	Status FY 2020/21	Status FY 2021/22	Status FY 2022/23
Percentage of fully implemented audit recommendations that are at least 12 months old.	AG: 61.4%	AG: 52%	AG:61%
	IA: 49.8%	IA: 44%	IA:61%
	QMS: 61.4%	QMS: 55%	QMS:75%
	Total: 56.2%	Total: 58.1%	Total:64.1%
Percentage of RRA annual budget execution.	90.2%	106.6%	99.2%
Cost of collection ratio.	2.6%	2.5%	2.5%



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