RRA
Rwanda Revenue Authority

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on:

REFORMS IN DOMESTIC REVENUE MOBILIZATION

The Rwanda Revenue Authority Story

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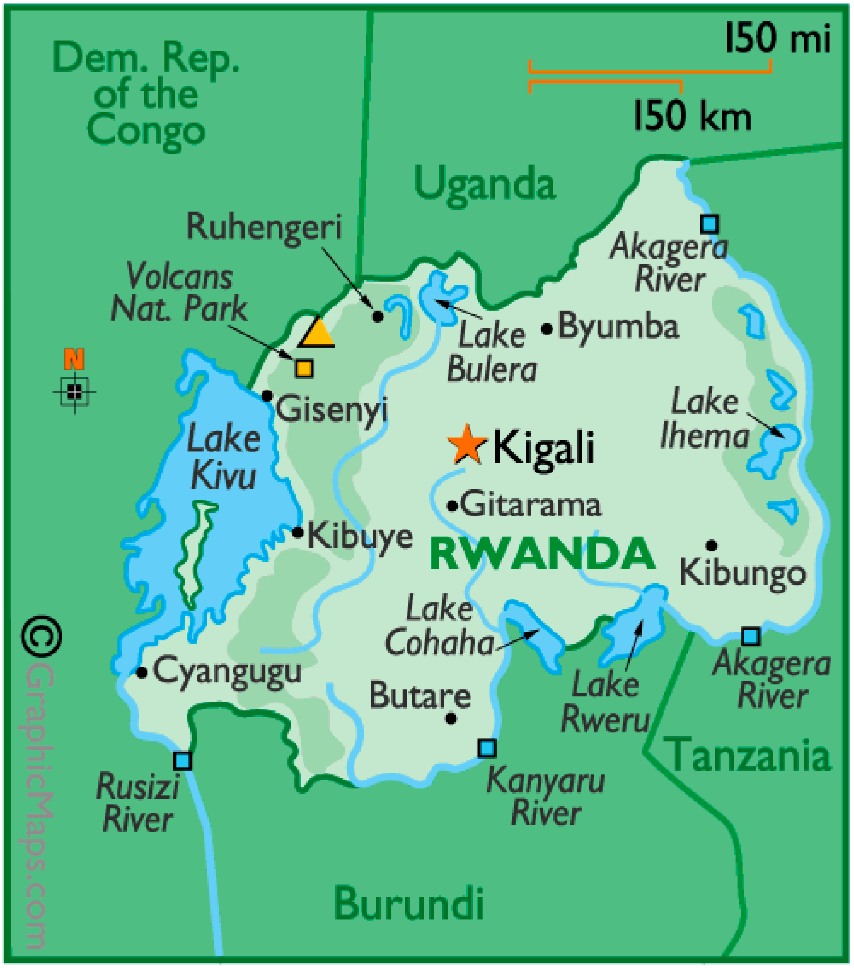
Presentation outline

- Brief background
- Challenges and the reform effort
- Results
- Way forward/future outlook
- Conclusion

Brief background



- **Total Area:** 26,338 (sq km)
- **Population: Estimated at 11.1 million.**
- **GDP per capita**: US$ 541(2010 estimates).
- **GDP growth**: between 7- 8% (2010 estimated)
- **Tax to GDP**: 12.1% (2009/10)
- **Pre-1994** genocide era characterized by poor governance.
- **Post-1994**—focus on reconstruction and growth
- **Heavily aid-dependent**, drive to increase domestic revenue mobilization

Challenges and the reform effort

Inherited—in 1994

- Sub-optimal tax regime—old tax laws and high tax rates
- Narrow tax base
- Poor tax paying culture and high levels of non-compliance
- Stove-pipe/tax-based and fragmented organizational structures
- Undeveloped infrastructure – burdensome to taxpayers
- Corruption and smuggling generally high
- Manual operations.

Reform thrust (examples)

- Administrative reorganization including creation of a revenue authority (1998), staff training and development of infrastructure
- Overhaul of the law—principal acts and tax procedure code (continuous)
- Introduction of VAT (2001)
- Functional organizational structure (domestic tax and customs)
- Taxpayer segmentation—large taxpayers contributing about 70% of domestic revenue
- Automation—SIGTAS and ASYCUDA

Results

- Nominal revenue increased 6.5 times from Rwf 63 Bn (1998) to Rwf 413 Bn (2010)
- This formed about 39% of the National Budget (1998) compared to 55% (2008).
- Revenue/GDP not grown as expected:
  - 10% (1998) to 12.1% (2010)—note GDP rebased when collections were at 15% of GDP in 2008.
  - Dominance of non-taxed agriculture as a percent of GDP (55%).
  - VAT productivity on final consumption still low: 24.2% (2006) compared to 36.5% average for 32 African countries – this is still very low due to the nature of our economy.

- Improved service delivery
- Compliance levels have gone up (comparatively) but compliance management needs strengthening;
- Audit now planned based on risks
- Strong partnership with the Private Sector (TIF) and Local Administration (TAC);
- Improvement in enforcement efforts – stock of old arrears have reduced (from 15.4% of total collections 2009) to 11.4% in 2010)
- Social contribution collections by RRA (started July 2010) are progressively improving PAYE compliance.

Way forward/future outlook

- Facilitate compliance across all taxpayer segments—implement measures to encourage voluntary compliance
- Simplify processes further – make it easy to pay taxes
- Strengthening taxpayer sensitization campaigns – by activity sector
- Enhance partnership/trust with taxpaying community – through Tax Issues Forum (TIF)
- Investigate reasons for low VAT productivity levels, develop and implement action plan
- Use of a range of audit techniques—advisory to investigative
- Enforce non-compliance firmly in order to level the playing field

Conclusion

- We have registered some successes
- The journey is however still long
- There is strong need to continue sharing pragmatic ideas and experiences to improve our performance
- Need to focus on:
  - broadening the tax base
  - enhancing trust in the tax system by taxpayers
  - addressing challenges such as compliance of high wealth individuals and transfer pricing
- Innovating through simplification and value-addition
- Promoting common regional solutions and not reinventing the wheel