

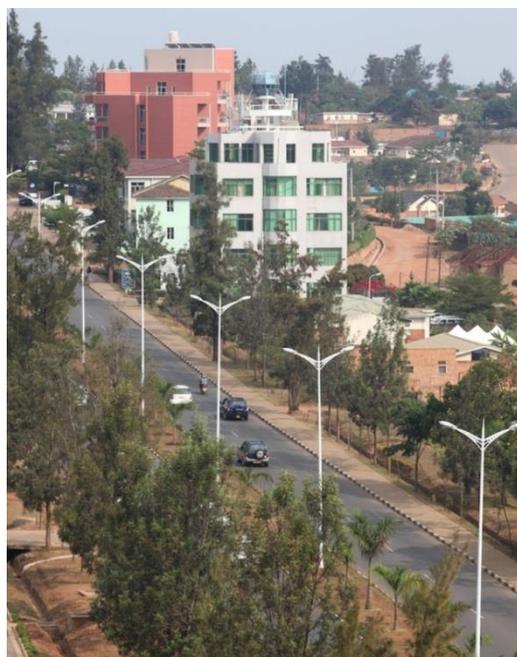
Rwanda: Modernization of Tax Administration Project

The challenge:

Fulfilling tax obligations such as Value Added Tax (VAT), Income Tax, Pay As You Earn (PAYE), and Withholding Tax used to be a challenging and cumbersome exercise for most taxpayers in Rwanda.

The tax administration system had limitations which caused constraints and delays to taxpayers. Filing for any of the domestic taxes, including obtaining a Tax Clearance Certificate, required a taxpayer to physically walk into a Rwanda Revenue Authority (RRA) office to process paperwork and thereafter to a bank for payment. This resulted in long queues at RRA offices, especially around the filing deadline times. The finalizing of a return, filing and payment for either VAT, income tax, PAYE on average took over 23 days.

Because of this, businesses in Rwanda continuously singled out tax administration as a major constraint to doing business in the country. In a survey conducted by the Rwanda Private Sector Federation in 2008, the majority of businesses indicated that tax administration in Rwanda was too complicated. This was partly due to a lack of understanding of the tax laws and regulations, difficulty in filling out forms, time spent dealing with tax issues, and poor and unfriendly service at the Rwanda Revenue Authority (RRA).



The solution:

ICF worked with the Government of Rwanda to modernise its tax administration system and address the concerns of the private sector. The project focused on establishing an online electronic filing and payment system at RRA to streamline administration processes of domestic taxes; and raising awareness of Rwanda's tax system and RRA services and procedures. The project cost a total of US\$ 4,185,000. Of this, ICF provided US\$ 2,080,000 and the Government of Rwanda provided US\$ 2,105,000.

Impact:

- The time for processing domestic taxes (VAT, income tax, PAYE) has reduced from 23.5 days to instantaneous, thanks to the online system.
- The time for processing Tax Clearance certificates has gone down from 3 days to 10 minutes
- Secure online filing of tax returns can be done from anywhere, making it easier and more convenient for the taxpayer. Taxpayers can also pay electronically through banks or mobile banking.
- A call centre has been set up and 90% of correspondence with taxpayers is done by e-mail and real time responses.
- A training centre has been established within RRA which offers training to taxpayers.

Project duration: September 2009 – September 2012

The Investment Climate Facility for Africa is a grant providing organisation that works with African Governments to improve the environment in which businesses operate. ICF engages closely with implementing Government bodies throughout the life of the project. For more information about ICF please visit www.icfafrica.org