REPUBLIC OF RWANDA
RWANDA REVENUE AUTHORITY

ANNUAL REPORT 2005

RRA Complex for Efficiency and Quality Customer Service

Kigali, July 2006

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1.0 REMARKS BY THE COMMISSIONER GENERAL

This report highlights activities undertaken by the Rwanda Revenue Authority (RRA) in the year 2005 towards the fulfillment of its goals. It also indicates the challenges encountered during the year and the strategic direction of the organization in the medium term. An assessment of the RRA objectives and priorities set out at the beginning of the year 2005 in the RRA Corporate Plan shows that performance was largely positive.

The key objective of the RRA in the year 2005 was to meet its revenue target set by the Government of Rwanda. We are pleased to report that we were able to raise the sum of Rwf 183.96 billion total revenues including Rwf 10.46 billion non-tax revenues. This was achieved against the overall target of Rwf 156.1 billion. This performance is a product of many factors but efficiency gains from computerization, increased capacity building initiatives and administrative reforms undertaken by the Authority in the previous years are key in this respect.

During the year 2005, RRA undertook computerization of the key business processes. The Standard Integrated Government Tax Administration System (SIGTAS) was procured and implemented in both Large Taxpayers and Internal Revenue Departments. The HR and Payroll software was installed and successfully implemented with most human resources related data now being generated automatically. The automated system for customs data (Asycuda++) was implemented both at Gikondo and Kanombe International Airport stations and preparations made to rollout the system to key outstations. RRA also procured and installed a Computer Interrogation Software (I.D.E.A), which is specifically designed to allow auditors to critically inspect taxpayers' accounting systems. The technical and financial support from the UK Department for International Development (DFID) in enhancing computerization cannot be overemphasized in this area.

Different measures were pursued to enhance the effectiveness of the tax administration. Key among these was the review of RRA processes and procedures, which were updated and new ones developed to suit our business needs. The RRA financial systems were enhanced through the review of financial regulations and procurement procedures. A new development for the year was the construction of a one-stop center that will house all the RRA departments under one roof, which commenced in the first half of the year. Construction of the RRA Tax Training Institute was also pursued during the same time with a view to increase capacity of our staff and reduce costs on overseas training.

A key component of the reform process was the review and update of the legal instruments with an aim to increasing predictability and simplification of the tax laws. The substantive income tax law and the tax procedures code were reviewed and finalized by the Parliament and were published in the Official Gazette in January 2006. The customs law was also reviewed and awaits gazetting. The Excise and the VAT laws are also under review and have already been approved by the relevant parliamentary commissions. A corresponding number of secondary legislations and rulings were drafted for the implementation of the new laws. The contributions from stakeholders in the review of tax laws particularly the business community are invaluable.

Customer service improvement was a priority for RRA during the year 2005. A number of initiatives were undertaken during the year to reduce compliance costs. Aside from computerizing processes, which expedited customer transactions with RRA, information communication to customers was greatly improved through upgrading the RRA Website. Provincial offices were enhanced and their mandate increased to provide most services available at the Head office. Similarly, RRA established a new outstations structure in tandem with the newly established local government structures for better accessibility and efficiency.

Rwanda Revenue Authority continued to cultivate its spheres of partnership at the national, regional and international levels. This has resulted in profitable information exchange and promotion of our image at different fora.

The Board of Directors was very supportive to all the achievements mentioned. The Board of Directors responsively supported the formulation and implementation of RRA policies and the key areas of intervention during the year included:

- The amendment of RRA Terms and Conditions of Service;
- The approval of RRA Corporate Plan 2005-2007;
- The approval of RRA annual report 2004;
- The recruitment of the Commissioner for Quality Assurance, the Director for Planning and Research and the Director for Revenue Protection Department;
- The approval of the RRA Annual Budget 2006;
- The approval of the selection criterion for RRA officers to qualify for support for ACCA courses at the School of Finance and Banking;
- Commissioned a study to analyze the potential benefits likely to accrue from COMESA, East African Community and any other regional integration bodies;
- Commissioned a study to analyze the impact of implementing the new legal instruments.

The positive performance witnessed in the past year came amidst a number of challenges. The key ones include retaining competent staff in the face of an increasingly uncompetitive salary package, big and growing informal sector, continuous modernization of the processes and procedures, continued capacity building and sustaining the information technology systems in the realm of a continuously changing technological environment.

RRA would like to extend its sincere gratitude to the Minister of Finance and Economic Planning and other stakeholders for their active involvement and support, without which RRA's achievement would not have been possible.

Mary BAINE
COMMISSIONER GENERAL

2.0 OVERVIEW ON THE ECONOMIC PERFOMANCE

The financial year 2005 was another year of improved performance for the Rwandan economy. GDP growth was impressive, underpinned by strong domestic demand. Strong rains enabled a strong season B harvest and domestic electricity shortage lessened, with great improvement in production almost regaining that of the year 2004. The value of Rwandan exports grew despite continuous increase in value and volume of imports. In the year 2005 both fiscal and monetary policies were sound throughout the year-end. Inflation fell from a pick of 13.6 in March to 5.6 by the end of year.

Real sector performance

The current estimates indicate that Rwanda's GDP grew by 6.3%. This represents a substantial increase over the year 2004 figure of 4% and subsequently over 0.9% growth rate for financial year 2003. The good performance was significantly due to strong rains in season B harvest. Agriculture output grew by 6% in comparison with the financial year 2004.

Excellent climatic conditions in season B raised output levels in the agricultural sector to unprecedented heights in 2005. Agricultural output however declined in season A due to heavy sunshine that substantially hampered the growth of agricultural products. Bad rains culminated in rising food prices and high food imports. Agriculture saw no growth towards the end of 2005 and as a result food crop actually declined for the season. The economy also suffered from the impact of the domestic electricity shortage and rising fuel costs, which drove up the cost of doing business in Rwanda.

Rwanda's economic performance strengthened in 2005 despite the effects of the electricity shortage, the rising cost of oil and the bad rains. Overall growth was driven by industrial activities, which grew by 11.1%, agricultural activities by 5.8% and services by 5.4% and the rapidly developing tourism, travel and communications sectors.

Consumer price inflation in 2005 declined from 12.9 % in March 2005 to 5.6% by end December 2005. This was due to the rapidly rising food prices following bad harvests and the continuous increase in international oil prices that greatly impacted on the increase of the cost of getting goods to market.

Details on individual sector performance for the year 2005 are shown in Table I that follow.

Table I: Sector Performance 2003 – 2005, Figures in millions of Rwf

Sector	2003	2004	Growth rate 2004	2005 Proj.	Growth rate 2005
Agriculture	**285.49**	**289.36**	**1.4%**	**306.25**	**5.8%**
Of which: Food crop	243.42	241.79	-1%	259.43	7.3%
Industry	**120.17**	**128.80**	**7.2%**	**143.07**	**11.1%**
Of which: Construction	65.13	70.02	7.5%	73.52	5%
Manufacturing	51.79	55.32	7%	65.34	18.1%
Mining	1.21	1.88	55%	2.31	23%
Services	**235.00**	**253.24**	**8%**	**266.86**	**5.4%**
Wholesale and retail trade	48.13	48.77	1%	50.06	2.6%
Transport and communication	46.39	52.00	12%	54.44	4.7%
Finance	17.31	20.90	21%	24.14	15.5%
Adjustments	-0.70	-3.06	336%	-5.51	80.0%
GDP	639.95	668.35	4%	710.67	6.3%

Source: MINECOFIN

2.1 Agriculture

Rwandan agricultural strategies continue to be hampered by varying shocks such as lack of irrigation and water storage systems and as such remain highly vulnerable to the pattern of rain. Indeed, rains have been so bad recently that food crop production continue to decline, however, Livestock farming has increased substantially despite unfavourable conditions characterised by season A. On the whole, agricultural output recorded an annual growth rate of 5.8% mainly due to good improvement earmarked by season B. It is worth noting therefore that livestock products such as milk, meat, fish, eggs and honey are still below the country's growing need.

2.2 Industry

The industrial sector in the financial year 2005 recorded significant performance of about 11.1%, with spectacular performance under mining that recorded the growth rate of 23%.

This growth came despite the negative effects of the double energy crisis accruing from the rising fuel costs and electricity shortage, and new competitive pressures from entering into the COMESA free trade area in 2005.

Growth was also led by the manufacturing sector that grew by 18.1%, followed by construction sector that recorded the growth rate of 5%.

2.3 Service sector

The services sector registered the modest real growth in financial year 2005 of about 5.4%. Among its components, financial services recorded the strongest growth of 15.5% mainly due to an ever-increasing demand for money and money equivalents for the period. Transport and communication sectors also indicated good growth of about 4.7%.

In terms of tourism, statistics from the ORTPN show that total visitors to national parks increased by 23% in 2005 with Rwandan visitors reducing from 12,599 in 2004 to 8,023 in 2005. However, foreign visitors both resident and non-resident increased from 14,399 in 2004 to 16,097 in 2005 translating into 12% growth. On the other hand the tourism receipts collected in this regard rose from 43.5 million US dollars in 2004 to US dollars million 48.76, translating into 12% growth. This is an encouraging performance and indicates the Rwandan efforts in promoting tourism.

The increase in number of passengers through airlines recorded in 2005 was about 10%. The passengers particularly through Rwandair continue to increase. This has significantly contributed to the growth of service sector.

Posts and telecommunications contributed to 17.3% rise in turnover declared at the RRA by the service sector for 2005. There was also strong growth in the mobile telephony market, with the number of subscribers growing by around 60%.

2.4 International trade

2.4.1 Exports

Rwanda's traditional exports were again at the helm of exports to other countries. There was an increase of 27.7% in exports in 2005 compared to 2004. Coffee and mineral products were the major exports and they contributed 30.6% and 29.8% respectively of total exports in 2005. This is attributed to the increase in volume of coffee exported, which was triggered by good weather conditions. Similarly, increased use of coffee washing machines increased the value of exported coffee. For mineral products, the increase in value was 27.7% compared to 2004.

The increase in exports is further attributed to the favourable prices on international market. This however demonstrates the continued dependence on a few commodities which face serious competition from other producing countries, and so the need to encourage diversification. Detailed statistics on performance of exports are shown in Table II below.

Table II: Trend of Exports 2000-2005 (Value in millions of USD)

Exports (fob)	2000	2001	2002	2003	2004	2005
Coffee % of total	22.52 32.62	19.36 20.70	14.65 21.75	15.01 23.81	32.2 32.9	38.27 30.60
Tea % of total	24.28 35.16	22.71 24.28	22.02 32.69	22.52 35.72	21.55 22.02	24.38 19.50
Mineral products % of total exports	12.58 18.22	42.63 45.57	15.87 23.57	11.09 17.59	29.27 29.91	37.30 29.83
Hides & Skins % of total exports	0.43 0.62	0.78 0.84	2.64 3.92	3.78 6.00	3.39 3.46	4.73 3.78
Pyrethrum & Chincona % of total exports	0.00 0.00	1.77 1.89	1.05 1.56	1.28 2.03	0.65 0.66	0.00 0.00
Other exports % of total exports	9.17 13.28	5.14 5.49	8.53 12.66	9.12 14.46	10.80 11.03	20.29 16.23
Adjustments	0.07	1.15	2.60	0.25		0.08
TOTAL fob	**69.05**	**93.54**	**67.36**	**63.05**	**97.9**	**125.05**

Source: BNR, Exchange and BOP Department

2.4.2 Imports

Imports increased by 28.1% in the year 2005. The volume of energy products and capital goods grew higher in response to the constant electricity shortage in 2005, which necessitated the increased import of generators and fuel. The composition of imports changed compared to the year 2004 with finished products increasing by 28% while semi finished products increased by 40.3%. Food imports also went high due to the bad harvests, and this led to high food price inflation. These factors have contributed greatly to increased revenue from international trade.

Table III: Trend of Imports 2000-2005 (Value in millions of USD)

Imports (CIF)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Capital goods	33.03	30.61	37.92	75.95	79.98	109.88
Intermediate goods	43.32	43.75	45.30	64.81	79.21	111.16
Energy products	44.92	41.22	37.89	53.39	68.64	78.16
Finished products	137.26	143.78	124.41	79.1	102.46	131.17
Adjustments	49.14	33.03	30.48	32.11	38.07	41.74
Total imports CIF	**307.68**	**292.38**	**278.51**	**305.36**	**368.35**	**472.11**
Fret & Assurance	**80.79**	**67.36**	**74.36**	**76.28**	**92.01**	**117.93**
Total imports fob	**226.89**	**225.02**	**204.15**	**229.08**	**276.34**	**354.18**

Source: BNR, Exchange and BOP Department.

3.0 REVENUE PERFORMANCE IN 2005

Revenue Performance in the fiscal year 2005 was very good. The total revenue target was Rwf 156.1 billion and total revenue collection was 183.96 billion registering a surplus of Rwf 27.86 billion, which is 17.8% above the target. Details of revenue collections for the fiscal year 2005 together with the comparisons of collections made in the fiscal year 2004 are explained hereunder.

3.1 Fiscal Revenue Performance

In 2005, the total fiscal revenue performance amounted to Rwf 173.49 billion against the target of Rwf 150.33 billion. This is an achievement of 115.4%. The total fiscal revenue excluding TCCs amounted to Rwf 162.54 billion and this translates into 110.4%.

Direct taxes amounted to Rwf 50.68 billion against the target of Rwf 40.06 billion registering 126.5% or Rwf 10.62 billion higher than the target set for the year. This was on account of the efficiency gains from reforms in the domestic taxes department particularly the establishment of a large taxpayers department. There were also improvement in enforcement actions and close monitoring of monthly returns under this type of tax more specifically PAYE. In addition, there was strong enforcement action on non-compliant corporate taxpayers that resulted in the collection of recoverable arrears.

Taxes on international trade performed marginally in the fiscal year 2005. The entire revenue collection on this type of tax was Rwf 27.84 billion against a target of Rwf 27.18 billion, which translates into 102.4% achievement. This marginal performance was significantly attributed to a range of factors that included among others, the suppression of the petroleum customs value to accommodate rising international market price and the total ban on the right hand vehicles.

Taxes on goods and services on the other hand registered an impressive performance for the financial year 2005. The revenue collections under this type of tax amounted to Rwf 82.89 billion against the target of Rwf 78.9 billion, which translates into 5% above the target. This was attributed to the increase in sales of some of the excisable products especially Beers, Petrol, Cigarettes, Lemonade, vehicles and powdered milk that all performed above their targets.

Furthermore, there was vigorous enforcement action on VAT and regular monitoring of VAT returns by the domestic taxes departments. Despite a significant drop in number of VAT taxpayers from 3,778 in the fiscal year 2004 to 3,345 in 2005, VAT collections increased from Rwf 46.7 to Rwf 57.7 billion in 2005.

Overall, Taxes on Goods and Services contributed the largest share of revenues representing 51.3% of the total, with Direct Taxes and Taxes on International Trade contributing to 31.4% and 17.2% respectively.

Detailed collection statistics against targets for the year 2005 are shown in Table IV below. The table further compares performance for the fiscal year 2005 and 2004 for different types of taxes.

Table IV: 2005 Revenue receipts against targets compared to 2004 (Value in Millions Rwf)

	Target (1) 2005	Actual receipts 2005	%	Actual 2004	% 2005/2004
Direct Taxes (2)	40,067.8	50,688.2	126.5%	38,102.2	133%
Turnover Taxes (3)	52,294.8	57,746.9	110.4%	46,781.0	123.4%
Excise Taxes	22,394.7	21,505.3	96%	19,507.2	110.2 %
Road Fund (4)	4,310.1	3,643.8	84.5%	3,902.3	93.4%
Taxes on International Trade (5)	27,180.3	27,844.0	102.4%	26,301.8	105.9%
Total Tax Revenues	**146,247.7**	**161,428.1**	**110.4%**	**134,594.5**	**120%**
Vehicles registration	-	81.9	-	120.6	68%
Taxes on electrogaz fuel imports for generators	4,088.1	1,108.2	27.1%	-	-
Treasury Credit Cheques (TCC)	-	10,879. 5		1,450.8	750%
TOTAL	**150,335.8**	**173,497.7**	**115.4%**	**136,286.5**	**127.3%**

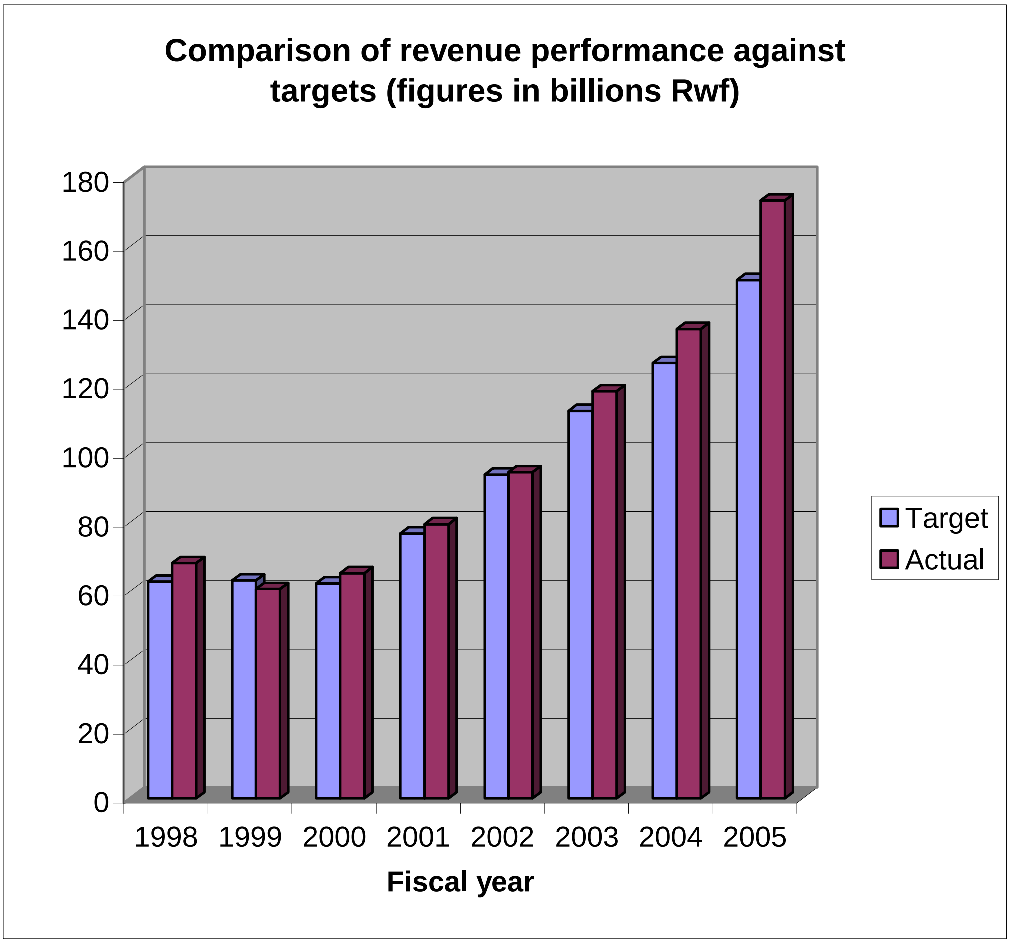
Notes: (1) Targets derived from revenue targets for 2005 by the GoR prepared in January, 2005.
(2) Includes taxes on personal incomes and taxes on property.
(3) Figures for VAT are net of amounts paid for refund.
(4) Figures include taxe de péréquation, taxe à l''essieu and taxe péage route.
(5) Figures include Magerwa fees.

The above table illustrates the positive performance registered by the Authority in achieving the revenue targets for the year 2005. Further analysis shows that such performance has been sustained by the Authority from the year 1998 to date as illustrated in the Table and Graph below. Performance missed the target only in 1999 on account of low volume of imports in 1999 due to the effect of El Nino, and high petroleum prices on international markets at the time.

Table V: Actual revenue performance compared to targets (1998-2005) (Value in billions Rwf)

Year	1998	1999	2000	2001	2002	2003	2004	2005
Target	62,8	63,2	62,3	76,8	93,9	112,4	126,3	150,3
Actual	68,2	60,7	65,3	79,5	94,6	118,1	136,2	173,4

Graph I: Comparison of actual revenue performance against targets, (1998 – 2005)



3.2 Comparison between 2005 and 2004 Revenue Performance

In comparison with the year 2004, the performance in 2005 was higher by Rwf 37.2 billion representing 27.3% growth between the two fiscal years. Overall detailed analysis reveals the following:

Direct taxes registered a satisfactory performance of about Rwf 12.5 billion more than that collected in the fiscal year 2004 and this represents 33% revenue growth between the two periods. This was on account of the higher growth in the services sector which contributed to higher turnover declared in the year 2005 than in 2004, increased efficiency in audit activities, strong enforcement measures to recover the collectible arrears, and continuous improvement in search of those liable for PAYE.

Revenue collection on taxes from international trade registered a modest performance for the year 2005 in comparison with the year 2004. The growth rate between taxes on international trade over the two periods indicates 5.9% higher. This was largely attributed to an increase in CIF value and volume of imports between the two periods of about 7.1% and 26.6% respectively.

Comparison between 2005 and 2004 for taxes on goods and services indicates an increase in revenue of about Rwf 12.7 billion, which translates into 18.1% revenue growth. Many factors are responsible for this but the major ones include improved economic performance, effective and efficient administration of VAT particularly enforcement, good performance of some excisable tax instruments particularly beer and positive impact of inflation on revenue.

3.3 Revenue Growth and Nominal GDP growth

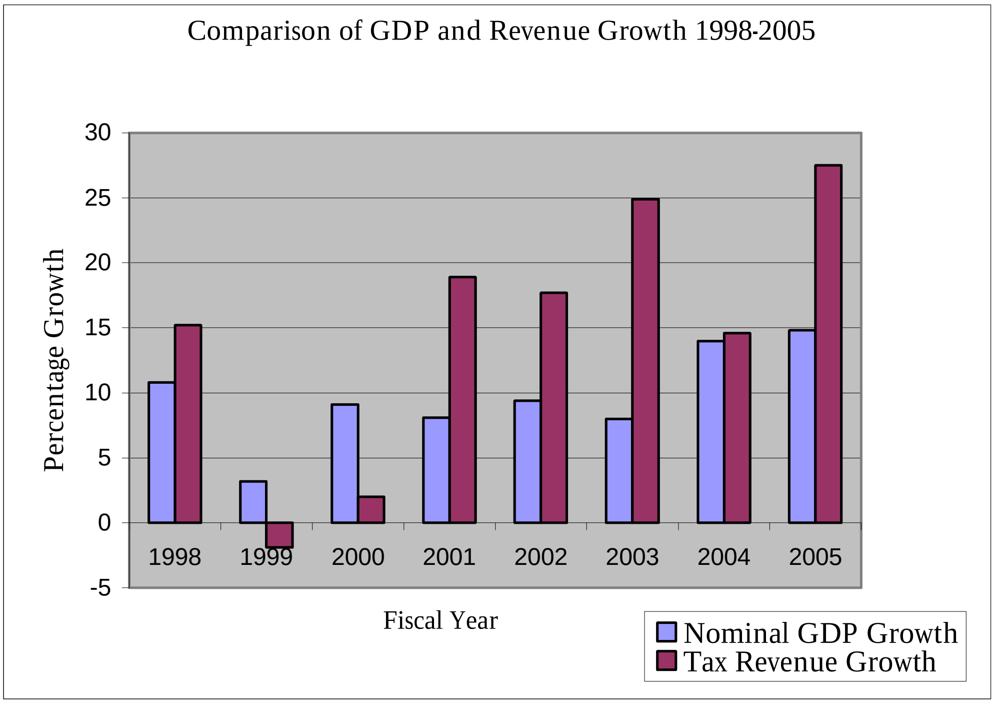
While it is evident that revenue performance over the last 8 years has been satisfactory, it is also important to compare growth in nominal GDP to growth in revenue over the period. Growth in the economy, under normal circumstances translates into a corresponding growth in revenue as long as there is efficiency in tax administration.

Table VI and Graph II below compares Nominal GDP growth to revenue growth since the inception of RRA. From the table and graph, it is evident that the rate of revenue growth over the years has been higher compared to the Nominal GDP growth. Several factors are attributable to this tendency, but the major ones were efficiency gains of the Tax Administration accruing from reforms and computerization as well as capacity building initiatives.

Table VI: Comparison of GDP and Revenue Growth

Period	1998	1999	2000	2001	2002	2003	2004	2005
Rwf Bn								
Nominal GDP	629.4	649.7	708.9	766.3	838.5	905.3	1032.1	1184.7
Total Tax Revenue	67.9	66.6	67.9	80.7	95.0	118.7	136.0	173.4
Nominal GDP Growth	10.8%	3.2%	9.1%	8.1%	9.4%	8.0%	14.0%	14.8%
Tax Revenue Growth	15.2%	98.1%	2.0%	18.9%	17.7%	24.9%	14.6%	27.5%

Graph II: Comparison of Nominal GDP Growth to Revenue Growth, (1998 – 2005)



3.4 Contribution of revenue performance by type of tax; 1998 – 2005

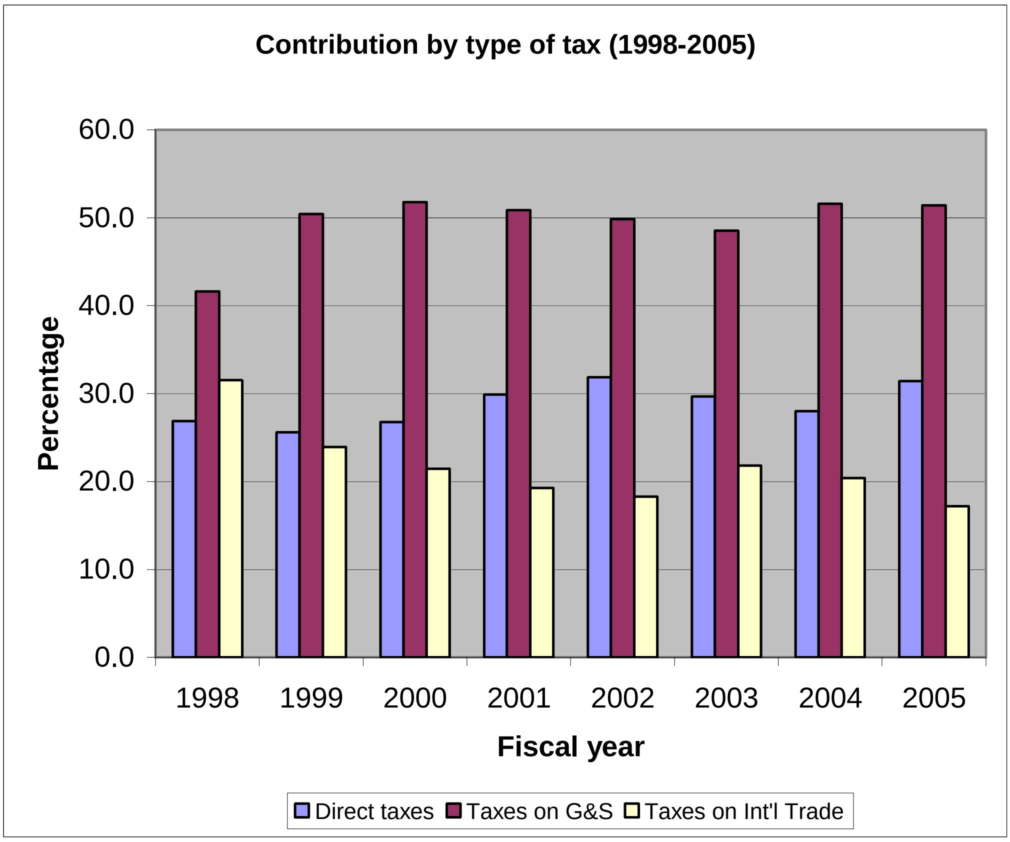
Graph III below shows the percentage of revenue contribution by type of tax. As evident from the Graph, Taxes on Goods and Services contributed 51.4% of total revenues in the year 2005, and this has been the trend for the past seven years. This highlights the important role they are playing and indicates a shift from reliance on taxes on international trade to domestic taxes.

Furthermore, this indicates the value that the Rwanda Government attaches to regional integration commitments because part of the reasons for the decline in international trade taxes is due to effects of preferential import duty rates on products originating from COMESA member countries.

The Graph also shows the growing importance of direct taxes which also contributed about 31.4% of the total revenues in the year 2005.This further indicates the improvement in the effectiveness of the tax administration through enforcement and audit activities coupled with improvement in taxpayer identification and registration.

Taxes on international trade contributed about 17.2% of the total revenues for the year 2005. This is mainly attributed to substantial decline in import duties collected from goods originating from COMESA Member States.

Graph III: Contribution of major types of taxes; 1998 - 2005



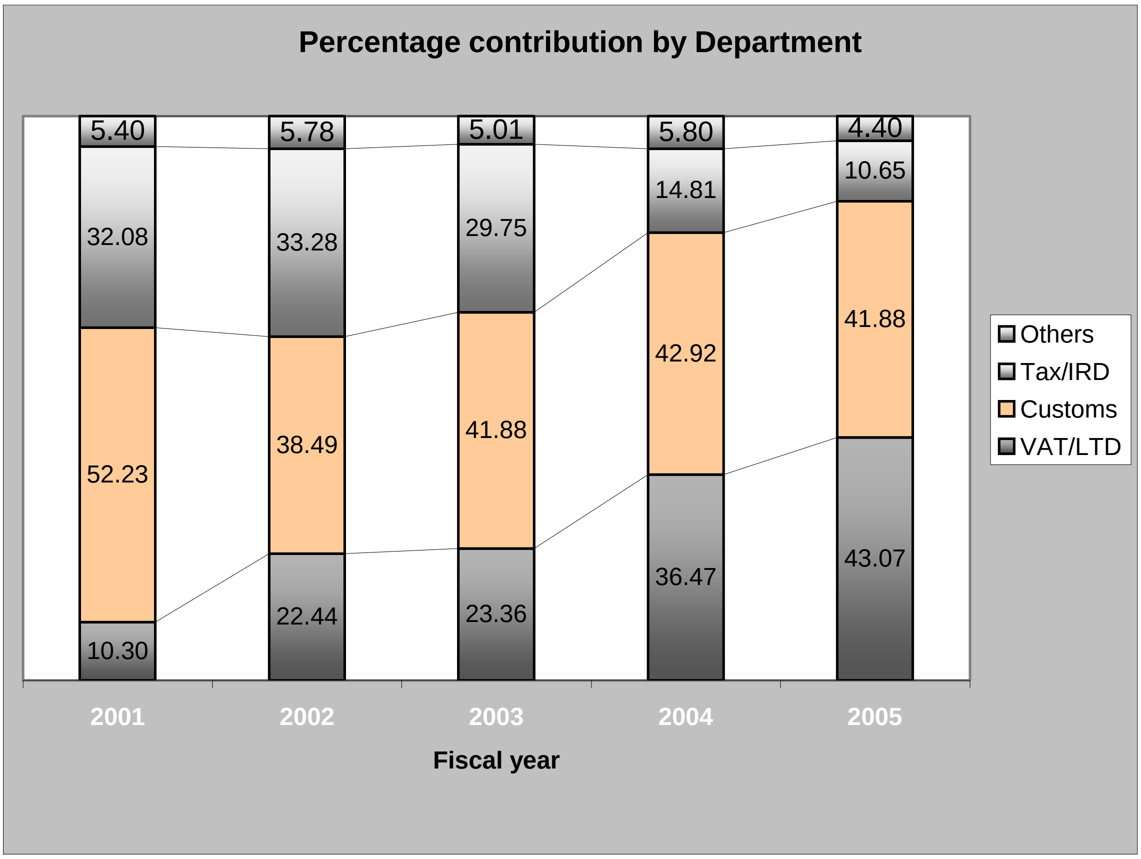
3.5 Contribution by department

The year 2005 was a year of fundamental reforms. The former tax head structure that had characterized Rwanda revenue Authority since its inception in 2001 was swept aside and a new segmented functional structure established in the year 2004.

The restructuring and modernization endeavours and the consequent establishment of the new functional structure culminated into the creation of Large Taxpayers Department (LTD) and Internal Revenue Department (IRD) after reorganization of the former VAT and Income Tax Departments. This effort started yielding fruit immediately especially for VAT and PAYE but substantial efficiency gains were realized in the year 2005 for all tax heads.

Since 1998 and even before, the role of the Customs Department has been very significant in terms of contributing the biggest share of revenues. It is only during the year 2005 that the Large Taxpayers Department reversed the rule and contributed the largest share to the total revenues. The contribution to the total revenue by LTD was 43.07% and that of Customs Department 41.88%. The Internal Revenue Department contributed 10.65% while others including MAGERWA and Road Fund contributed about 4.4% as shown in the graph below.

Graph IV: Departmental contribution; 2001 –2005



3.6 Non-Fiscal Revenue Performance

Non-fiscal revenue performance for the fiscal year 2005 was equally very good. While good performance was registered on almost all revenue items, substantial collections were realized from the sale proceeds of the formerly government held vehicles. The table below highlights the achievement.

Table VII: Performance of Non Fiscal Revenue (Value in Millions Rwf)

Item	Target 2005	Actual receipts 2005	% ge achieved 2005	Actual 2004	%ge of revenue growth 2005/2004
Fines and Fees	423.6	582.2	137.4%	438.8	132.7%
Revenue from Public Property and assets	455.3	1,306.0	286.8%	510.4	255.8%
Proceeds from sale of Gov't vehicles	2,600.0	5,521.2	212.3%	-	-
Administrative Fees	2,292.5	3,055.7	133.3%	2,301.8	132.7%
Total	**5,771.4**	**10,465.1**	**181.3%**	**3,540.0**	**295.6%**

As seen from the table above, the non-fiscal revenue performance for the year 2005 was higher than that in 2004 by 295.6%. This unprecedented increase was mainly caused by the sale proceeds from government vehicles, which never occurred in the year 2004.

4.0 RRA FINANCE AND EXPENDITURE OUTTURN 2005

The expenditure in the year 2005 was largely in compliance with the resource envelope. The total budget was Rwf 5.244 billion and the total expenditure was Rwf 4.919 billion registering a positive balance of Rwf 325.3 million.

The details of the expenditure in the year 2005 are shown in table VIII below:

Table VIII: Total RRA Expenditure in 2005 (Value in Millions Rwf)

Expenses	Budget 2005	Actual	Variance	%
Total Personnel Expenses	3 325,69	3 343,81	-18,12	100.5
Total Staff welfare	7,73	7,96	-0,23	102.9
Total travel and Subsistence	96,43	102,76	-6,33	106.5
Total transport expenses	188,46	189,32	-0,86	100.4
Total maintenance and repairs costs	102,24	107,03	-4,79	104.6
Total office supplies	226,29	221,76	4,53	98
Utilities	300,33	282,06	18,27	93.9
Audit & Investigations expenses	28,34	29,54	-1,20	104.2
Total taxpayer Education expenses	73,68	75,94	-2,26	103.0
Total staff training expenses	289,28	302,48	-13,20	104.5
Total Finance fees	2,27	2,35	-0,08	103.4
Total professional fees	120,22	146,47	-26,25	121.8
Total Board expenses	2,52	2,52	0,00	100
1.Total recurrent expenditure	**4 763,49**	**4 814,00**	**-50,51**	**101.0**
2. Total Capital Expenditure	**480,85**	**105,01**	**375,84**	**21.8**
Grand Total	**5 244,34**	**4 919,01**	**325,33**	**93.8**

The table above reveals a positive balance of Rwf 325.3 million from the 2005 budget, which represents 6.2% of the total budget. This positive balance is mainly attributed to capital expenditures that were not executed during the year 2005 due to delays in tendering process. The total capital expenditure budget was Rwf 480.8 million and only Rwf 105.01 million was spent leaving Rwf 375.84 million unspent. Furthermore, the positive balance recorded above was also due to the accrued expenditure recognized by the authority, which had not been paid until the year-end.

However some expenses surpassed the budget, particularly professional fees that exceeded the budget by 21.8%. Overspending on this budget item was caused by expenses related to the binding of the RRA used receipts that were visibly torn. Additionally, expenses relating to computer licensing and maintenance contributed towards this overspending. Expenses on these two items had not been put into consideration at the time of preparing the budget.

Also total travel and subsistence budget was exceeded by 6% mainly due to the external trainings that were conducted during the year 2005. The extra costs that were spent on these trainings had not been taken into account at the time of preparing the budget.

Comparing revenue collection to costs incurred towards fulfillment of the authority's objectives, the collection cost ratio was 2.8%, which is slightly higher than RRA retention of 2.6%.

During the year 2005, the RRA financial resources rose to Rwf 5.244 billion. This comprised of the statutory RRA retention of 2.6% of revenue collected, funds from donor support, proceeds from disposal of assets, contributions from stakeholders as well as replacement fees. The 2.6% retention contributed 81% of the total financial resources that were available in the year 2005. The detailed sources of finance for the year 2005 are shown in table IX below:

Table IX: Sources of Funds available in 2005 (Value in Rwf)

SOURCE	**AMOUNT**
Grant from DFID	305,581,899
Disposal of RRA fixed assets	3,056,000
Replacement fees	325,470,619
Road maintenance fund	53,405,834
VAT Refund Account	21,000,000
RRA Retention	4,363,313,451
RRA Staff Bonus	157,814,807
MINECOFIN's contribution to Customs Union	8,200,000
MINICOM's contribution to CG's Northern Corridor Meeting	1,500,000
MININFRA's contribution to CG's Northern Corridor Meeting	4,000,000
Magerwa's Contribution to CG's Northern Corridor meeting	1,000,000
Total Income	**5,244,342,610**

5.0 OTHER ACHIEVEMENTS MADE DURING THE YEAR 2005

RRA undertook various administrative measures in the fiscal year 2005 to ensure that the corporate objectives of the organization are achieved. Most of those measures are continuous and are intended to direct the organization to the planned path. Below are the major activities that were pursued in the fiscal year 2005.

5.1 Enhancing operational Systems through Computerization

During the year 2005 the RRA continued to strengthen the computerisation effort through enhancing the existing systems and developing new ones. The RRA hardware and software needs were assessed and the purchase plan executed. Over 91 personal computers were procured and this increased the stock of personal computers in the organization to 346, which pushed up the ratio of computers to staff to 3:5.

ASYCUDA++ was evaluated at Gikondo and Kanombe for perfection and preparations were made to rollout the system to the major boarder and this is planned in the year 2006. SIGTAS was implemented in the Large Taxpayers Department and Internal Revenue Department in May and November 2005 respectively.

The HR and payroll software was fully tested and started processing staff payrolls automatically. Verification of the automated staff payrolls by the human resource department confirmed its accuracy.

An important highlight in the period was the purchase and installation of the Computer Interrogation Software (I.D.E.A), which is specifically designed to allow auditors to critically inspect taxpayers' accounting systems.

5.2 Capacity Building

RRA continued to adhere to its training plan for the fiscal year 2005. Both domestic and international courses that were planned for the period were delivered. 5 RRA officers were sent to Sydney for masters course and 2 other officers were also seconded for master's course in Belgium and Canada.

RRA sent 6 officers for CATA course, 6 officers to the SATI Winter Programme and 2 officers for WCO course. 16 officers attended training courses in the East African Revenue Authorities and 1 IT officer was trained in IT techniques.

Thirty (30) officers commenced the ACCA programme in fiscal the year 2005 as part of a strategy to increase accountancy skills of the RRA staff. We also sent one finance officer on a "budget control and public expenditures procedures" course in West Africa and one senior procurement officer on "procurement services equipments" course in Swaziland.

As a means of enhancing the audit capacity of RRA, practical training to the audit staff with particular reference to sector audits was provided by the Audit Service Provider and one week's training in the IDEA audit software was also provided. Audit Teams started undertaking sector audits in the petroleum, financial, construction, telecommunications and hotel and restaurant sectors effectively. Practical training in systems based auditing was also delivered in the year 2005 and the auditors were encouraged to audit large taxpayers using a systems-based approach.

Training in career path and succession planning was provided to 4 persons in the HR Department and an additional training on the new HR software programme provided. Furthermore, a mentoring programme designed to raise the managerial skills of the middle managers commenced in the fiscal year 2005 and we hope this will equip middle managers with confidence and skills to deliver their set objectives effectively.

Classroom and practical training on Anti-Smuggling Techniques and the operation of FAST teams was delivered to 48 trainees from RPD, Customs and Quality Assurance. This was intended to give the relevant staff the skills to combat smuggling and improve service delivery standards.

Different internal training courses were also delivered and 476 RRA staff benefited in this training. Overall, there were 26 training programs that were delivered in the fiscal year 2005 and these included basic and specialised courses. Basic courses were carried out locally while specialised courses were overseas. Local training courses were 16 in number while overseas training programs were 10.

5.3 Enhancing the quality of Customer Service

We continued to improve the services offered to our customers primarily through computerizing of services and harmonizing our operations in provinces. RRA also carried out a study to assess how it can best fit in the new structures of local government while delivering services to taxpayers adequately. The RRA structure was reviewed in accordance with the national administrative reforms and new offices in the four regions were established.

RRA continued to give relevant information to taxpayers to enable them comply with their obligations. In this regard, RRA upgraded the design and content of its website to provide easily more comprehensive and targeted information to customers.

Members of the Senior Management Team regularly visited provinces to assess the problems being faced by staff and taxpayers generally so as to improve the services being provided in provinces.

5.4 Review of Legal Instruments

The work to modernize legal instruments continued throughout the fiscal year 2005 and regular follow up was made from relevant authorities to expedite their promulgation. The review of draft substantive income tax law and the tax procedures code were finalized by the Parliament and were published in the Official Gazette in January 2006.

The customs law was also passed by the parliament and the work to publish it was being followed up regularly. The Excise tax law and the amendment of the VAT law were also approved at the parliamentary commission level.

RRA established a commission to review the relevant parts in the law on property tax for motor vehicles so as to propose amendments, and the work of the commission went on seamlessly. Secondary legislations relating to the new tax laws were drafted and RRA gave useful inputs towards their drafting.

5.5 Corporate planning and monitoring process

The corporate planning process was refined at the beginning of the year 2005 using the balanced scorecard approach and the corporate plan for 2005-2007 was designed in this framework.

RRA continued to implement and monitor this plan during the year 2005 and evaluation of its effectiveness was done on a monthly and quarterly basis. The 2006-2008 Corporate Plan was also developed and finalized in January 2006.

5.6 Donor Support

The RRA has since its inception received significant technical and financial support from the UK Department for International Development [DFID] through its various phases.

During February 2005, a team comprising of MINECOFIN, DFID and East AFRITAC assessed the performance of RRA/DFID phased V project. The team noted that overall, the program of support was on track and this formed the basis to extend the project support until July 2006.

During the year 2005, enormous progress was made in the area of computerization and training the total disbursement made during the year was worth Rwf 305.8 million. DFID also confirmed its support of about Rwf 2.5 Billion to the outfitting of RRA Complex and the possibility of extending further support to RRA in subsequent years was under consideration.

5.7 Cooperation with Regional and International Bodies

In the fiscal year 2005, RRA continued to develop good working relations with Regional and International Bodies. RRA with other stakeholders hosted the African Union sub-committee of African Customs Directors meeting in April 2005. RRA was mandated to chair this Committee in the year 2005. RRA also participated in the Northern Corridor Stakeholders Consultative Forum and Commissioners General meeting held in Nairobi and organized similar meetings in Kigali in October 2005.

During the month of February 2005 RRA hosted the East African Revenue Authorities Technical Committee meeting and assumed chairmanship of the Technical Committee in August 2005. RRA continued to actively participate in Technical Committee meetings of the East African Revenue Authorities. RRA together with other stakeholders participated in the 10th summit of COMESA Heads of States and Government.

During the Month of August 2005, the RRA team visited Irish and Dutch tax administrations and the International Bureau for Fiscal Documentation with a view to opening contacts with other training and reference institutions that would be of benefit to RRA. Very worthwhile, the relationships were established and this will help in shaping the future of the RRA Tax Training Institute.

Another important development during the year 2005 is that RRA was mandated to hold the post of vice chairmanship of World Customs Organisation for Southern and Eastern Africa. The mandate covers a period of two years and a region of 22 countries.

RRA also participated in the negotiation of a new Double Taxation Agreement (DTAs) with Belgium during the period. The new agreement represented an important step, as it is Rwanda's first agreement with a European Union country. The new agreement will make a significant contribution to investment flows in Rwanda in the years to come. RRA further participated in providing inputs to DTAs under negotiation particularly those of Uganda and Zambia.

5.8 Infrastructure Development

Infrastructure development to suit the increasing business needs of RRA was a priority during the year 2005. Construction work at the RRA complex that is intended to house all RRA departments in Kigali continued to run smoothly. Preparations for the seamless transfer of RRA systems to the new building commenced.

A consultant was hired in the month of August 2005 with the support of DFID to assess the requirements for the effective transfer to the new building including the outfitting needs. There is a monthly meeting of all the stakeholders that is chaired by the Commissioner General and this monitors among other things progress towards completion of construction work on the complex.

Construction of the RRA Tax Training Institute also commenced in February 2005 and was expected to be completed in the first quarter of the year 2006. Progress towards completion was also being monitored on a regular basis and the works are scheduled for completion in the second quarter of 2006.

Rehabilitation of customs border posts also continued especially on the major stations to enable them accommodate the new system of Asycuda++. This was done mainly on the major border stations. Construction also commenced during the month of august 2005 on the new customs station of Rwempasha that borders Uganda and Rwanda.

6.0 MAJOR CONSTRAINTS ENCOUNTERED IN 2005

Despite the achievements and impressive revenue performance during the year 2005, the Authority continued to face some challenges including the ones listed below:

6.1 Substantial and growing informal sector

The size of the informal sector is still big and kept growing. This jeopardizes revenue collections in many respects. First, business activities in this sector are not captured in the tax net and therefore are not taxed and next, it puts the entire tax burden to few compliant taxpayers in the formal sector, which discourages tax compliance and makes the informal sector more attractive and a shelter for delinquent taxpayers.

The informal sector survey that started in August 2005 with the support of the World Bank and in collaboration with MINECOFIN, MINICOM and the Private Sector Federation lays hope to provide the baseline to address this problem.

6.2 Taxpayer compliance

Despite improvement in taxpayer compliance especially for large taxpayers, most small and medium taxpayers continue to face difficulties in complying with their obligations. The proportion of revenue collected through audit is still high. Difficulties in compliance are mainly a result of high illiteracy levels and there are no strict measures taken against the acts of smuggling by tax authorities in some of the neighboring states in the region. Some taxpayers still have difficulties in keeping books of accounts and this has adverse impact on certain taxes that require proper invoicing like Value Added Tax. The simplified new tax laws and comprehensive taxpayer education programme being pursued by the Authority will largely address this problem.

6.3 Inadequate capacity of RRA staff in some areas

Considering RRA policy regarding human resources development, there is no doubt that the capacities of most staff improved significantly over the last few years through training and experience. But RRA still requires specialized training in certain areas that have emerged with globalization, regional integration and Internet growth. Furthermore, the structure of our economy is changing with the service sector growing at a faster rate, which is a hard-to-tax sector. The 2006 training plan has provided for these training gaps but this is subject to availability of funding and identification of appropriate trainers.

6.4 Management of tax arrears

There exists a large amount of arrears still recorded, but uncollectible in the range of Rwf 46.5 billions up to end December 2005. Most of these constitute arrears by government parastatals and the chances of being collected are minimal. Other companies with tax arrears cannot be traced are out of business or were formerly state owned firms that were privatized. These do not only exaggerate the revenue potential but also encourage non-compliance. However, the new income tax law addresses this problem by allowing write-off of tax arrears by the Minister of Finance and Economic Planning after approval of the Cabinet of Ministers. Furthermore, the law provides for instalment payments and capping interest for late payment at 100% of the principal both of which are strategies to limit tax arrears.

6.5 Implementation of the COMESA rules of origin

While there are regulations to this effect, implementation is still a big challenge. There are currently a number of unresolved complaints in customs on goods imported from Member States. Consequently we have an increasing number of contentions with taxpayers importing products from the COMESA region. This issue is being discussed at the regional level mainly through the East African Revenue Authorities Forum and hopefully remedies will be forthcoming in future.

6.6 Smuggling and other forms of tax evasion

It is without dispute that there has been significant reduction in smuggling countrywide as a result of strict law enforcement and cooperation from stakeholders. However, smuggling of goods from neighbouring countries has continued to surface in districts bordering Uganda and DRC due to the porous nature of the borderline. Other methods of smuggling and tax evasion are also being employed by the business community including non-issuance of VAT invoices and, forging of certificates of origin and invoices for imported goods. RRA continues to strengthen its partnership with local authorities and security organs to combat smuggling and tax evasion.

6.7 Comparatively low Remuneration Package

The RRA remuneration package has not been adjusted to changing economic conditions since its establishment. This is contrary to what most private companies do for their remuneration packages are adjusted as economic conditions change. Rwanda Revenue Authority is not only less competitive as compared to private companies but also some government institutions. This has adversely affected our retention efforts and increased the staff turnover especially those at the middle level. The staff turnover as a percentage of entire staff in the year 2005 stood at 13% and this comprised mainly of officers at grades 4 and 5. A study conducted on RRA staff salaries established that staff welfare had been eroded by inflation at a rate of 46% since the year 2000. The same study proposes remedies on how salaries of RRA staff can be adjusted to match the current market rates.

6.8 Budget Constraint

The RRA budget constrains operations due to inadequate resources. While our retention rate is 2.6% of revenue collected, analysis of expenditures in the previous years reveals that the average expenditure rate is at minimum 3.3%. The actual expenditure for the year 2005 is 2.8% of total revenue collections. The requested budget for the year 2006 is 3.4% of the total revenue target.

6.9 Sustainability of Information Technology Systems

Rwanda Revenue Authority has substantially employed information technology systems in its operations with the support of the DFID. However, the practice in the information technology arena is that technology change rapidly to the extent that our current systems might be obsolete in the near future. The Authority is looking at possible replacement mechanisms because the option of going back to the former traditional and manual systems is not feasible.

Estimates of the necessary funds to provide for replacement have been made and we hope that these will be accepted in subsequent RRA budget proposals.

7.0 CONCLUSION

It is pleasing to report that the overall performance for the fiscal year 2005 was generally impressive. The total revenue performance for the year 2005 was above the target by 17.8%. The target was Rwf 156.1 billion and total revenue collected was Rwf 183.96 billion. This includes fiscal revenues that amounted to Rwf 173.49 billion against the target of Rwf 150.33 billion. It also includes non-fiscal revenues that amounted to Rwf 10.46 billion against the target of Rwf 5.77 billion.

Every effort is being made to ensure that we do not miss the target and other major goals of the organisation. We have high hope that this good record will be maintained for the years ahead.
We keep an open eye on the Corporate Plan to ensure that all strategies designed are executed. This has greatly helped in managing our resources efficiently and focusing our efforts to priority issues. The highlighted challenges have been underlined in the 2006-2008 Corporate Plan and every effort will be made to overcome them.

Mary BAINE
COMMISSIONER GENERAL

8.0 APPENDIX A: DEPARTMENTAL PERFORMANCE DURING 2005

Priorities	***Achievement***
LARGE TAXPAYER DEPARTMENT	
1. Meeting collection and audit targets	*The LTD's mission in 2005 was significantly achieved and revenue collections exceeded the target. Revenue collected was Rwf **74.24** billion against a target of Rwf **62.0** this translates into **20%** higher than the target.*
2. Improving service delivery to customers;	*Several consultative meetings and workshops with large taxpayers were organised. Key taxpayer awareness activities included organisation of the National Taxpayers Day that involved media presentations, publications and other events and activities aimed at promoting taxpayer education and increasing voluntary compliance by taxpayers.*
• *Quick processing of refund for taxpayers and privileged persons.*	*In LTD, the refund processing procedure was expedient and for the fiscal year 2005, LTD authorised a refund worth Rwf **3.3** billion against Rwf **3.7** billion reserved for refund.*
• *Reducing waiting time for tax clearance certificates and tax Quitus.*	*Tax clearance certificates were given great attention in LTD and the processing time was set to last for 3 working days. The tax clearance certificates and Quitus fiscal approved in the year 2005 were **364** and **64** respectively.*
• *Improved communication with taxpayers.*	*Communication devices and other helpline activities were put in place by the department. Now its possible in LTD that taxpayer's queries can be answered as and when they arise.*
• *Time management measures put in place.*	*In LTD at least all the functions try to respect time management; however some delays due to shortage of staff may disrupt efforts and cause discrepancies.*
3. Strictly observing assessment, reassessment, and accounting functions.	*Great emphasis was put in place as regards the assessment and reassessment of tax returns in LTD and the accounting for such functions were substantially improved.*
4. Strict enforcement on collectable arrears.	*All the possible methods to improve the collection of collectible arrears in LTD were employed and an amount of Rwf **5.8** billion were collected for the year against Rwf **3.5** billion targeted.*
5. Implementation of SIGTAS.	*SIGTAS was implemented in LTD on 1st May 2005 and the following issues have been finalised, i.e. management of tax roll, reviewing and updating core processes and procedures, designing declaration forms, analysis of reports, re-registration of small and medium taxpayers etc.*

Priorities	***Achievement***
CUSTOMS DEPARTMENT	
1. Meeting collection and audit targets	*Revenue collected was Rwf **72.2** billion against a target of Rwf **61.4** and this translates into **18%** higher than the target.*
2. To strengthen the valuation unit and constantly update our valuation database and enforce all possible areas in operations and enforcement in order to achieve the 2005 revenue target.	*In fiscal year 2005, customs valuation database was improved to ease the collection of all customs duties. However some problems continue to surface, i.e. data storage and preservation issues.*
3. To ensure that Asycuda ++ is rolled out to other areas of customs operations including warehousing, petroleum oil depots, transit and general border posts operations.	*The Asycuda++ was rolled out in Gikondo and Kanombe and preliminary arrangements were also extended to major border posts. It is planned that by the end of June 2006 its implementation over the major border posts will be effective.*
4. Develop and strengthen the petroleum unit to ensure proper follow up of transit and inward distribution of petroleum products in order to guard against any revenue risks.	*Strategies to strengthen and enhance the unit in charge of petroleum products were designed and implemented. Now few difficulties continue to happen, which may be due to delinquent taxpayers, and other malpractices.*
5. To Strengthen and build capacity in the Post Clearance Audit function in order to regain revenue that could have been lost at importation.	*This function was put in place at the start of the fiscal year 2005 to deal with some instances where customs authorities are not satisfied. However due to lack of enough staff this section did not fully perform to our expectations. Strategies to empower it with adequate staff started and we are optimistic this will help us handle all post clearance issues.*
6. To re-organise the transit section and to improve the accuracy in bond cancellation	*This was done, and will continue to be reviewed as and when required by the department.*
7. To streamline the Exemptions Unit and to agree with the stakeholders on quotas to be issued to privileged persons so as to minimise revenue loss.	*The exemption unit has been fully functioning, and strategies to minimize revenue loss through exemptions were also employed by the staff concerned under the supervision of the head of department. However, the level of exemption is still high due to some factors external to customs department. The exemption granted in the fiscal year 2005, amounted to Rwf **34.7** billion.*

Priorities	***Achievement***
8. Ensure comprehension of the revised customs law through sensitisation to all stakeholders in order to facilitate proper implementation.	*The customs law was prepared and transcended to parliament for approval; however the draft is still under discussion and it is scheduled for implementation by end June 2006.*
9. Selectivity function improved to reduce time in clearance.	*Strategies were put in place to fasten the time taken to clear goods from customs bonds by staffing the functions, and further extend the normal working hours.*
INTERNAL REVENUE DEPARTMENT	
1. Increase our effort in collecting of fiscal and non-fiscal revenues.	*Revenue collection task attributed to IRD for the fiscal year 2005 was significantly achieved and even exceeded. Revenue collected amounted to Rwf **18.36** billion against **15.2** billion overachieving by Rwf **3.16** billion.*
2. Increasing the tax base for VAT, PAYE and Profit tax.	*The new number of VAT registered taxpayers in IRD for the fiscal year 2005 was 2020 expanding the tax base by **58%.***
3. Updating taxpayers register by de-registering VAT non-filers/nil filers and those with a turnover below 20 million Rwandan Francs.	*Taxpayers register are always updated, cases of re-registration and de-registration have been dealt with all the year round.*
4. Identifying 500 top taxpayers by type of tax for closer monitoring.	*Identification and selection of top IRD taxpayers was done and these taxpayers have always been given due care, while meeting their tax obligations.*
5. Effectively implement the new tax laws and procedures.	*The new substantive income tax law was prepared in accordance with the standard instructions from senior management, and RRA legal personnel. Upon completion, it was further tabled in parliament discussed and approved and is now operational.*
6. Liaising with RRA legal & taxpayers Service Department to revise the current Motor vehicles legislation.	*The link and close collaboration between these departments continued throughout 2005, revision on current motor vehicle is regularly done.*
7. Implement SIGTAS.	*The SIGTAS was implanted in IRD late December 2005, and is now operational.*

Priorities	***Achievement***
REVENUE PROTECTION DEPARTMENT	
1. To increase the capacity of staff and vigilance in deterrence, detection and prosecution of smuggling, tax evasion and other kinds of breach of revenue laws.	*In the fiscal year 2005, some RPD staff received trainings in fraud, detection and investigation of smuggled goods across border. An amount of Rwf of* ***1.52*** *billion was recovered from RPD operations. Some RPD staff received training in income tax law.*
2. To minimise all forms of transit dumping by enhancing security and surveillance for all imported and transit goods.	*RPD staff in 2005, benefited from trainings aimed at minimising the transit dumping of imported goods.*
3. To update and manage an effective database system of tax evasion and smuggling in order to provide relevant information to the operational departments and other partners through profiling of individuals and products.	*RPD continued to review its database and effective implementation is scheduled by end of year 2006. Different products are also seized in a bid to protect the country's business environment and individuals involved are tracked down and punished accordingly with reference to the current laws.*
4. To establish focal points in neighbouring countries and the major exporting countries to Rwanda.	*An officer was deployed at Mombassa entry port charged with the responsibility of overseeing all the possible fraud cases including forging and falsification of invoices and other related manoeuvres.*
QUALITY ASSURANCE DEPARTMENT	
1. Effectively implement the business plan of the department.	*Strategies and short-term plans in the department of Quality assurance were designed and subsequently implemented. However some shortfalls may hinder the full implementation of plans, due to the volume of work involved.*
2. Develop and empower the Quality Assurance Unit and draft a Quality Assurance Manual.	*The quality assurance unit was put in place and has been empowered through trainings. Quality assurance manual was designed with assistance from ISO 9001:2000 personnel and the department is planning to rollout this service to other departments as well.*
3. Regularly monitor the implementation of processes, procedures and prescribed performance standards.	*Regular monitoring through processes and procedures audit was done in all the RRA departments. Some recommendations were provided and this no doubt will bring continuous improvement in performance standards.*

Priorities	Achievement
LEGAL AND TAXPAYER SERVICES DEPARTMENT	
1. *Follow up the implementation of new tax and customs laws.*	*The implementation follow up was done since the official launch of the income tax law. Follow up is also being ensured on customs law.*
2. *Conduct an intensive taxpayer education on the new laws.*	*Different seminars, workshops and short-term trainings on the new income tax law were conducted to taxpayers and RRA staff aimed at creating awareness of the new tax law.*
3. *Define the general standards of service delivery and customer care.*	*Plans to enhance service delivery standards were put in place with the help of other departments. Customer care through service provision has been greatly improved. Waiting time was reduced significantly and timely response of customer queries was also ensured.*
PLANNING & RESEARCH DEPARTMENT	
1. *Improve the quality of management reports produced by the department.*	*There was significant improvement in the quality of reports produced. Management reports are always prepared and submitted to the end users on time. Information requirements of the department and the relevant formats have been forwarded to business analysts for configuration in the new computer systems.*
2. *Implement processes and procedures for functions within the department in conformity with the established standards.*	*Processes and procedures were implemented in the department and the departmental activities being done conform to the standards prescribed by the processes and procedures. Procedures manual was translated into both English and French.*
3. *Prepare operational policy manuals for operational departments and monitor their effective implementation.*	*The structure of the operations Policy Unit was approved by the SMT. Technical assistance in development of operations Policy Manual was requested from IMF-East Afritac and this will bear fruit in the year 2006.*
4. *Undertake research studies on certain key areas of tax administration as recommended by the RRA Tax Policy Committee.*	*Five research studies were conducted during the year 2005 and reports were submitted to Commissioner General. They included a feasibility study to reduce Corporate Tax, a feasibility study to eliminate taxes and duties on imported mobile phones, a feasibility study to tax goods imported through the Airport on FOB rather than CIF and a salary survey of RRA employees.*
5. *Ensure that the quality and coverage of revenue statistics is improved.*	*A statistical bulletin is prepared and circulated to users every quarter.*

Priorities	***Achievement***
FINANCE DEPARTMENT	
1. To establish, maintain and ensure adequacy of systems for collecting, safeguarding and accounting for government revenues collected by RRA.	*Financial systems were put in place for different revenue centers. Finance operations with commercial banks and national bank of Rwanda, are all working effectively. Regular check ups by Finance department and the said institutions is always done aimed at finding out any instances of mismatch between revenues collected by RRA and revenues remitted to the national treasury bank account.*
2. To provide timely and accurate Financial Management Information to RRA and other stakeholders.	*Tax Revenue information is compiled and consolidated by finance department is regularly communicated to RRA senior management and other stakeholders.*
3. To assist in the process of Budgeting by ensuring efficient and proper systems of budgetary planning, preparation, monitoring and control, as well as its review based on corporate and departmental objectives and outputs.	*Budgetary procedures are always prepared and communicated to other departments for uniformity. Compilation of the departmental budgets into master budget is also done and regular monitoring done to ensure proper execution of the budget. The budget review is also done upon management decision.*
4. To implement and where necessary to review the Financial Regulations as well as the processes and procedures that govern the systems of revenue collections, budget and expenditure management.	*Implementation strategies are designed by the department and communicated to the user departments. Regular reviews are also done in accordance with processes and procedures put in place.*

Priorities	Achievement
HUMAN RESOURCES & ADMINISTRATION DEPARTMENT	
1. *Effectively implement and regularly update HR Policies and Procedures, Staff Code of Conduct and Terms and Conditions of Service.*	*Human resources policies and procedures are implemented in accordance with labour law prevailing in the country. Staff code of conduct and terms and conditions of service are used to comply with law requirements. However regularly updates are also ensured to suit ever-changing needs of RRA staff.*
2. *Recruitment of competent and professional staff as per the needs of the Authority.*	*Recruitment procedures in RRA comply with the national recruitment procedures, employment offers are communicated through different communication devices inviting qualified public to come and compete for vacancies. Tests and interviews are conducted and best candidates are selected for employment. Induction training is offered to them and finally integrated into working system.*
3. *Facilitate staff in acquiring mortgage loans from financial institutions;*	*64 officers were seconded for mortgage loans from different commercial institutions to facilitate them secure vehicles to be used in their routine work operations.*
4. *To enhance capacity of documentation center to cater for research needs of RRA staff.*	*The strategy to put in place this facility was drown up. However practical implementation is still under review.*
5. *To implement HR software package for Human Resource Management.*	*Human resources software was fully tested and payslips are generated automatically.*
6. *Organize priority-training programs developed from the training plan for 2005.*	*Training plan is regularly done in consultation with other departments and in accordance with the priority programs in place.*
INFORMATION SYSTEMS & TECHNOLOGY DEPARTMENT	
1. *Deploy Asycuda++ to all of our border posts*	*Equipments to be used for border posts were purchased. LAN cabling was done and modules developed. Funds for VSAT telecommunications was secured from DFID.*
2. *Implement SIGTAS in LTD and IRD*	*LTD and IRD implemented registration and return-processing modules.*
3. *Staff capacity building in new areas of operations in line with implemented systems*	*5 IT officers were sponsored to complete their degree at UNR, 1 staff trained in windows server 2003, Cisco network, VB, oracle. 3 in Asycuda++ and HR software.*

Priorities	Achievement
4. Develop, implement, and test the A BCP (Business Continuity Plan).	This was drafted and is still under examination with IT advisor. Meanwhile SIGTAS, FMIS BCP has been developed separately.
5. Ensure a service of best quality to our customers	An improvement can be noted from all of our implemented new systems.
6. Implement discontinuity Plan of existing systems ASYCUDA 2.7, SYSTAX, VAT system.	This is being done smoothly. No interruption occurred during migration to new systems ASYCUDA++ and SIGTAS.
7. Planning and implement works to migrate systems into New RRA building.	DATA cabling, telecommunication and electrical cabling study was conducted, approved and funds were also secured to do the work.
8. Stabilization of FMIS system	Implemented modules are stable with fewer difficulties.
9. Final tests and approval of Peodesy (HR Package)	Payroll was implemented and other modules tested and they are now waiting for full implementation.
10. Maximize the benefits of network technology.	Files are being shared over the network. E-document was also deployed.
11. Redesign RRA website by introducing services delivery to the public.	New services were introduced like forms download.
12. Implement RRA Security & Recovery software system and procedures (anti-virus, software update, network security enforcement etc)	A good network Anti-virus software (Trend Micro) was purchased in 2005 and updates are done regularly for all existing software. IT security user guidelines were developed and issued to users.
13. Implement Computer & Internet Use Policy	This facility was sufficiently done and implemented.
14. Implement internal Service level agreement between IT/IS and RRA management	This is still under development and tied to the implementation of the new structure of the IT department.

9.0 APPENDIX B: MAIN PRIORITIES FOR 2006

In an effort to achieve the RRA mission, the organization has set for itself the following strategic objectives for the year 2006. The under listed major strategic objectives are central to the achievement of our mission and will of necessity remain our focus in the year 2006:

(a) Maximizing Revenue Collection

- Achieve the targeted total revenue of about Rwf **177.7** billion comprising of Rwf **171.8** billion of tax revenue and Rwf **5.9** billion of non-tax revenue. The target for 2006 is clearly lower than the total collections for 2005 and reasons mainly relate to one-off receipts that were realized in 2005, which will not re-occur in 2006. A splendid example is non-fiscal revenues from the sale of government vehicles.
- Deter, detect and prosecute evasion, smuggling and other breaches of tax and customs legislation;
- Ensure proper revenues accountability;

(b) Maintaining Effective Financial Management Systems

- Effective mobilization of RRA resources;
- Manage RRA resources efficiently though the development of efficient and effective systems and procedures to control costs;
- Maintain proper records and accountability;

(c) Building Sound Internal Business Process

- Implement flexible and adaptable organisational structures and processes to support our strategies;
- Effectively implement the business systems and procedures and keep them updated through effective computerisation program;

(d) Developing a Capable and Effective Organization

- Develop and enhance Human Resources capacity, and policies;
- Improve motivation and efficiency in staff performance;
- Development and improvement of infrastructure facilities;

(e) Satisfying Requirements of our Customer and Stakeholders

- Foster voluntary compliance;
- Provide quality input to the development of revenue laws;
- Provide stakeholders across the Government of Rwanda with quality information and services;
- Develop and enhance cooperation with relevant international and regional bodies in tax matters.