Tax Audit and Tax Revenue Performance from Large Taxpayers: A Case Study of Rwanda Revenue Authority (RRA) and Selected Large Taxpayers

Munyurwa, Marie Louise

http://erepository.mku.ac.ke/handle/123456789/3991

Downloaded from Mount Kenya University, Institutional repository
TAX AUDIT AND TAX REVENUE PERFORMANCE FROM LARGE TAXPAYERS
A CASE STUDY OF RWANDA REVENUE AUTHORITY (RRA) AND SELECTED
LARGE TAXPAYERS

BY
MUNYURWA MARIE LOUISE
MBA/0171/12

ABSTRACT
A tax audit involves an expression of the tax auditors’ opinion on the truth and fairness of certain
details. To discourage tax avoidance and evasion, the requirement of a tax audit was introduced.
In this regard to meet the new challenges and to simplify tax administration, the government of
Rwanda amended the tax audit to assist taxpayers in complying with the self-assessment process
so as to reduce tax evasion and increase revenue generation through tax. In addition, the
Government of Rwanda tried to improve its tax administration capacity which encompasses tax
audit. This research deals with the impact of tax audit on tax revenue from large taxpayers. In
Rwanda Revenue Authority (RRA) all expected tax revenue is not recovered. This is due to various
problems such as lack of the required number of professional tax auditors, cheating taxpayers,
corrupt tax collectors and inefficient tax auditors lead to tax evasion and tax avoidance, audit not
covering all cases and some of the audited cases not concluded. The purpose of the study was to
assess the impact of tax audit to the tax revenue collected from large tax payers. The objectives of
the study are to establish the effectiveness of tax audit in the improvement of fiscal revenue of
RRA, to find out the impact of tax audit on the tax compliance, to analyze the significance of tax
audit in strengthening tax administration capacity and to determine what process and programs are
adopted by RRA for addressing tax non-compliance through tax auditing. Literature review was
reviewed to enable the researcher to explicitly understand what other authors have written about
the impact of tax audit on tax revenue collected from large taxpayers in Rwanda, Uganda, Kenya
and other African countries. In the research methodology, the research design used the
correlational and cross sectional survey methodology. Qualitative and quantitative approaches
were adopted to establish the relationship between tax audit and revenue performance. The study
was correlational in order to determine or describe in quantitative terms the degree to which the
variables are related. The researcher used simple random sampling in order to get the sample
representing population. The researcher also analyzed primary data and secondary. Questionnaire
and interview were the techniques used to obtain primary data, while secondary data was obtained
through existing literature. The study population was composed of the officials of the Rwanda
Revenue Authority. To achieve the objectives of the study, 69 people received each a
questionnaire. The results of this study will help to establish the contribution of tax audit in tax
revenue collection. The major findings of this study show that tax audit contributes to the
effectiveness of tax collection and improvement of fiscal revenue. It is confirmed that tax audit
had a positive impact on tax revenue collection. Tax audit is one of the most powerful revenue
administration tools that can ensure that tax payers pay their tax liability with very little room for
evasion. Therefore, the tax audit function should be strengthened to minimize both deliberate and
innocence tax evasion made by many tax payers.