

**TAX AUDIT AND TAX REVENUE PERFORMANCE FROM LARGE TAXPAYERS
A CASE STUDY OF RWANDA REVENUE AUTHORITY (RRA) AND SELECTED
LARGE TAXPAYERS**

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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 tax payers 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.