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**THE ROLE OF LAW CHANGES ON TAX COMPLIANCE IN RWANDA-
A LEGITIMACY PERSPECTIVE**

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**THIS IS SUBMITTED TO SCHOOL OF BUSINESS, COLLEGE OF BUSINESS AND
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DECLARATION

I hereby declare that this submission is my own work towards the Executive Masters Of Finance and that, to the best to my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

This work is dedicated to:

All might God

My husband

My children

My parents

My brothers and sisters

All my friends

May almighty god bless you All!!!!

ABSTRACT

Objective: This research analyzes the role of change in tax law to create government legitimacy for tax compliance and increasing the revenue collected as to provide Rwanda self financing instead of looking only for outside donors. In particular the research explores the history of tax compliance in Rwanda, reviewed the measures taken by Rwanda Revenue Authorities to create legitimacy for improving tax compliance , how these can increase revenue collected and how these can be a tool for Rwanda self financing.

Some of taxpayers don't understand what should be their contribution on Rwanda Budget, however it is time for Rwanda self financing as amount of revenue from donors have reduced, thus great need for high level of legitimacy for tax compliance in order to increase revenues. The findings suggest that tax is the important determinant of the Rwanda revenue. Therefore government legitimacy for tax compliance will increase the revenue of Rwanda , which would allow Rwanda to accomplish its activities as planned. This would reduce dependence of Rwanda on donors for loaned funds, as well as increasing self financing.

In addition, RRA would enhance penalties for non-compliance, the research will underline the effect of tax law changes for creating government legitimacy to increase tax compliance as an important tool for self financing.

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LIST OF ABBREVIATIONS AND ACRONYMS

CIT	: Corporate Income Tax
DRC	: Democratic Republic Of Congo
TRA	: Relevant Tax Authorities
FY	: Financial Year
Int'l	: International
IRA	: Individual Retirement Account
LTO	: Large Taxpayers Office
MINICOFIN	: Ministry of Finance and Economic Planning
MINICOM	: Ministry of Commerce
PSF	: private sector Federation
PAYE	: Pay As You Earn
PIT	: personal Income Tax
RRA	: Rwanda Revenue Authorities
Rwf	: Rwandan francs
TRA	: Relevant Tax Authorities
VAT	:value Added Tax

CHAPTER ONE: INTRODUCTION

1.1 An overview

The research is about the role of law changes in improvement of tax compliance in Rwanda. It looks at the level of compliance in Rwanda, tax law changes exercise in Rwanda, needs for compliance improvement, reason for low compliance, while at the same time make conclusions and recommendation that could be taken up by the Rwanda Revenue Authorities and other stakeholders in order to assist in the improvement of tax compliance for Rwanda self-financing.

The history of taxes in Rwanda indicates that the first tax legislation was inherited from colonial regime. This tax legislation includes the Ordinance of August 1912, which establishes graduated tax and tax on real property. there was another Ordinance on 15th November 1925 adopting and putting into application the Order issued in Belgian Congo on 1st June 1925, establishing a profit tax. This law was amended from time to time in order to comply with the changing economic environment. Such other legislative instruments include the 1973 law governing property tax, the tax on license to carry out trade and professional activities, the law no.29/91 of 28th June 1991 on sale tax/turnover tax(now repealed and replaced by law no.06/2001 of 20/01/2001 on the code of Value Added Tax.

A substantive law governing customs was enacted on 17th July 1968 accompanying the Ministerial order of 27th July 1968, putting into application the Customs Law. The administration and accountability of taxes and duties in Rwanda was initially under the Ministry of Finance and Economic Planning. This was later vested into an independent body-the Rwanda Revenue Authority-that was established by law no.15/97 of 8th November 1997. In 2005, the parliament adopted law number no.25/2005 of 04/12/2005 on tax procedures, amending Decree-Law of December 28, 1973 relating to personal tax, law no.06/2001 of January 20, 2001 on the code of Value Added Tax and law no.9/97 of June 26, 1997 on the code of fiscal procedures. Similarly, law no.16/2005 of 18/08/2005 on direct taxes on income was adopted replacing law no.8/97 of 26/6/1997 on code of Direct Taxes on Different Profit and Professional Income, and law

no.14/98 of December 18,1998 establishing the Rwanda Investment Promotion Agency, especially in its Articles 30,31 and34.

The parliament also adopted law no.21 of 18/04/2006 establishing the customs law, replacing the law of July 17th 1968 concerning the Customs law as amended and completed to date .However, on July 1, 2009, Rwanda adopted the EAC customs Management Act 2004.An Act of the community to make provisions for the management and administration of customs and for related matters.

1.2 Problem statement

Rwanda Revenue Authorities (RRA) prioritizes the issue of tax compliance in the private sector. Studies show that majority of private sector taxpayers are not yet compliant and as result, the revenue collected from tax is still low (RRA annual activity report 2009/2010). There are some examples of private firms that are not declaring and paying tax as required, others are still exercising tax evasion.

The tax administration of the private sector is not limited to tax payment, it also includes other services such request for refunds, request for tax information, and tax declaration that are in particular important question when considering sufficient level of tax compliance (PWC taxation guide 2010). In this case many cases of low level tax compliance arise during tax declaration than in tax payment. Hence, recently important reduction in outside financing rises the need for Rwanda self-financing. This rise question of whether the existing level of private sector tax compliance is sufficient.

Previous researchers couldn't conduct research on tax compliance and legitimacy. but as revealed from the result, legitimacy is important for fulfilling societal expectations (Downling and Pfeffer,1975,). As legitimacy enables to find out who are conferring public of RRA, what they expects from RRA. From these, RRA will compare its activities from publics expectations in order to determine the legitimacy gap and find out tactics to reduce it in order to be accepted by the public. One of tactics is law changes which enables RRA to achieve its target revenue through increasing tax compliance.

1.3 Research objective

This study therefore aims at investigating the role of law changes on tax compliance for creating government's legitimacy. I specifically focus on the case of tax compliance in the private sector in Rwanda. To fulfill this objective, I relied on a case study by collecting interviews and a questionnaire to tax collectors and administrators as well as representatives from private business institutions in Kigali, Rwanda.

Specific objectives

The research specific objectives include:

- To explore the role of law change for tax compliance legitimacy.
- To explore the role of law change for building government's legitimacy through tax compliance.

CHAPTER TWO: LITERATURE REVIEW

Rwanda self-financing is objective which requires significant expenditure of resources. The first part of the research will focus on what tax compliance is with special reference to models for tax compliance or tax enforcement in the world. In this part, it is included the importance of tax, types of taxes, taxation in Rwanda, taxpayers' behavior, tax evasion and tax compliance, sources and uses of fund in Rwanda, needs for self-financing. Others include proportion of tax to the Rwanda budget, how tax compliance can increase self-financing and finally decrease in external financing.

2.1. An introduction to tax and taxpayers' behavior

Several authors have tried to define tax with limited degrees of success. But taking into account different concepts, tax has various definitions. Basing on the definition given by Gaston Jeze and quoted by many scholars, tax can be defined as "a necessary pecuniary service by private individuals by way of authority, non-reimbursable and without counterpart, for the cover of public expenses"(Jeze,1941,18-19).Furthermore, taxes also seen as a mandatory contribution intended to finance the budgetary expenditure of the state and certain public organizations, local government, public institutions or a mode of public burden-sharing founded on the adaptation to contributive faculties of the citizens". Tax has also been defined by French lexicographers as being the" contribution taken on incomes, transactions, products, etc., to ensure the function of the budget of the state or local government"(Francis Barcon,Uk,1620)

In summary, taxes are as a financial resource for the state in order to provide the materials and human resources that will enable public institutions to meet the needs for the public interest. It is a mandatory contribution of citizens to the services provided by the state in the collective and national interest. In this thesis, tax can be defined as a pecuniary contribution, of an obligatory and legal nature, carried out under the prerogatives of public power, which is non-reimbursable, without supporting documentation.

In order to insure the financing of public expenses . Some of the elements have to be further explained as they constitute the key characteristics of tax.

2.1.1.Types of tax

To understand taxes, it is important to discuss the classification of taxes. There are three criteria that can be taken into account. The first criterion is based on the nature of the taxable product and/or the individual situation of the taxpayer. It is the choice between real tax and personal tax. The second criterion is based on the economic option. Indeed, if the tax is always a contribution operated on measures of wealth, this wealth is always likely to have several economic forms. A choice must be made between income tax, capital tax and taxes on expenditure or consumption. The last criterion is that based on the choice of the legal technique of imposition which is made by the tax authorities. This equates to a choice between (1) *direct tax* and (2) *indirect tax*. *Direct taxes* are those which are placed on the goods or the incomes of a person. *Indirect taxes* are only linked to the taxpayer indirectly, and become payable at the time of the use of their resources or the expenditure which they make. Indirect taxes are therefore based on acts of production, exchange or consumption. But make the distinction clearer, three criteria may be considered: the administrative criterion, the economic criterion, and the tax criterion.

- **The administrative criterion**

As far as administrative criterion is concerned, a distinction may be noted on the mode of recovery. Direct taxes are recovered in personal fashion, such as under the terms of a writ of execution established beforehand by the tax administration. Indirect taxes fall due at the time where the taxable operations are carried out, without the preliminary issue of a writ of execution; the tax debt is immediately created, and, in the majority of the cases must be discharged at once, without the intervention of the tax administration.

- **The economic criterion**

From the economic point of view, the direct taxes which are recovered from the taxpayer (the real contributor) in theory, are supported definitively by the person who pays them. In contrast the debtor of indirect taxes is generally only a legal debtor; he transfers the effective tax burden from a transaction on to the people, raising the amount from their selling prices.

- **The tax criterion**

In order to distinguish direct and indirect taxes, the stability of the tax base can be considered. Direct taxes are those which impact on the elements of wealth in durable or stable matter: they are defined by the stability of the tax base. Indirect taxes on the contrary are those which are more erratic and unpredictable in nature; they are identified by the non-permanent character attached to their tax base.

2.1.2. Tax compliance and its importance

Compliance with tax law typically means true reporting of the tax base, correct computation of the liability, timely filing of the return, and timely payment of the amount due. Models of taxpayer behavior, including the decision whether or not to pay taxes, tend to reflect one of five theories that can be referred to as: (1) economic deterrence; (2) fiscal exchange; (3) social influence; (4) comparative treatment; and (5) government legitimacy. These are to some extent interconnected, and some represent an evolution of others.

(1) Economic deterrence

The economic deterrence theory states that taxpayers' behavior is influenced by factors such as the tax rate determining the benefits of evasion, and the probability of detection and penalties for fraud which determine the costs (Allingham and Sandmo 1972, Becker 1968). This implies that if detection is likely and penalties are severe, few people will evade taxes.

(2) Fiscal exchange

The fiscal exchange theory suggests that the presence of the government expenditure may motivate compliance. That government can increase compliance by providing goods that citizens prefer in a more efficient and accessible manner (Cowell and Gordon 1988, Levi 1988, Tilly 1992, Moore 2004, 1998). Note that compliance increases with the perception of the availability of public goods and services.

(3) Social influence

In the social influence model, compliance behavior and attitudes towards the tax systems is thought to be affected by the behavior and social norms of norms of an individual's reference group (Snavely 1990). It is reasonable to assume that human behavior in the area of taxation is influenced by social interactions much in the same way as other forms of behavior(ibid).Compliance behavior and attitudes towards the tax system may therefore be affected by the behavior of an individual's reference group such as relatives, neighbors and friends.

(4) Comparative treatment

The comparative treatment model is based on equity theory and posits that addressing inequalities in the exchange relationships between government taxpayers would result in improved compliance (Mc Kerker and Evans 2009).

(5) Government legitimacy

Finally, according to the political legitimacy theory, tax compliance is influenced by the extent that citizens trust their government (Tayler 2006,Kerchler et al.2008, Fauvelle-Aymar 1999). Legitimacy theory will be explained in the theoretical framework section.

2.2Tax evasion

Tax evasion is said to occur when individuals deliberately fail to comply with their tax obligation. The resulting tax revenue loss may cause serious damage to the proper functioning of the public sector threatening its capacity to finance its basic expenses. The bulk of tax evasion involves, the incorrect reporting of the tax base. Most evaders either do not declare their liability at all, or declare it only in part. In the following, we concentrate on the problem faced by an individual who has to decide how much of this tax aggregate to report, or whether to report it at all. The focus is on income tax, which account for a large part of fiscal revenue in most countries. However, the insights provided can be applied to the taxes as well.

A useful model of taxpayers 'evasion decision is that developed by Allingham and Sandmo (1972) and Srinivsan(1973)and revised by Yitzhaki(1974) evasion is viewed as a portfolio allocation problem: the taxpayer must decide what portion of this income to invest in risky activity labeled tax evasion. If the taxpayer does not want to take any risk, he reports his income

in full, otherwise, he reports only a fraction of it and bear the risk of being caught and fixed. This basic model gives an account of taxpayers' evasion decision is very simple set-up: taxes and penalties are proportional, the audit rate is constant, only one form of evasion is available. In addition, the taxpayer is assumed to rely on expected utility theory and to be perfectly amoral, that is, to make compliance decisions with exclusive references to the consequences for net income. All these assumptions are open to criticism, and models based on alternative assumptions have been developed. One standard criticism of the Allingham and Sandmo(1973) model is grounded in the belief that compliance decisions depend on moral views. This is clearly a problematic issue, one that cannot be captured by the consequential set –up of standard decision theory. Under the assumption developed by Bordignon(1993)it turns out that tax evasion is generally lower than under selfish behavior, that compliance depends on the level of public expenditure, and that evasion is likely to increase with tax rates.

2.2. Tax non-compliance

Tax non-compliance is a range of activities that are unfavorable to a state's tax system(Slemorod,J2000). This may include tax avoidance, which is tax reduction by legal means, and tax evasion which is the criminal non-payment authors. It is most general use describes non-compliant behaviors with respect to different institutional rules resulting in what Edgar L.Feige calls unobserved economies. Individuals that do not comply with tax payment include tax protesters and tax resisters. Tax protesters attempt to evade the payment of taxes using alternative interpretations of the tax law, while tax resisters refuse to pay a tax for conscientious reasons. Tax protesters believe that taxation under the Federal Reserve is unconstitutional, while tax resisters are more concerned with not paying for particular government policies that they oppose. Because taxation is often perceived as onerous, governments have struggles with tax non-compliance since the earliest of times.

Tax non-compliance can occur due to deliberate connivance or ignorance. Evasion of income tax involves intentional non-compliance (Fieldstein, 1999). Within the framework of tax laws, non-compliance has been defined as the failure, intentional or unintentional; of taxpayers to meet their tax obligations. The key to identify non-compliance is to know the taxpayers most likely to be non-compliant; income or expense in which non-compliance is most likely; and most

important, the reasons for or causes of the non-compliance(Osman,1992). Tax evasion is intentional non-compliance and it means payment of less than the law requires on one's true taxable income. Intentional non-compliance to reduce or eliminate the amount of taxable requires some measure of understanding of the tax system (Islam,2001). The term non-compliance encompasses both intentional and unintentional non-compliance, which is due to memory lapses, calculation errors and inadequate understanding of tax laws. Unintentional non-compliance may be caused by the complexity of tax laws, by the difficulty of keeping accurate records, taxpayer negligence and the inability to obtain the information needed to comply with the income tax (Government of Bangladesh,1999). A particular taxpayer may intentionally evade some of his or her obligations while unintentionally being non-compliant in other respects.

2.4.Theoretical framework – tax compliance, law changes and legitimacy theory

Legitimacy theory

Social perceptions of the organization's activities can be in accordance or disagreement with the expectations of society. In the situation when the organization's activities do not respect social and moral value, the organization is severely sanctioned by society. This is where legitimacy theory plays a role to help examine perceptions on tax compliance and law changes. Legitimacy theory has the role of explaining the behavior of organizations in implementing and developing voluntary information in order to fulfill their social contract that enables the recognition of their objectives and the survival in turbulent environments. Suchman (1995: 574) considers that "legitimacy is generalized perception or assumption that the actions of an entity are desirable, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". Legitimacy itself can be considered to be a condition or status, strategy or a process which organizations can undertake to fulfill society's expectations. Legitimacy theory posits that organizations continually seek to ensure that they operate within bound and norms of their respective societies. These bounds and norms are not fixed but change across time, thereby requiring the organization to be responsive.

Lindblom (1992) describes four strategies that organization can adopt to foster a process of legitimation . These Strategies are:

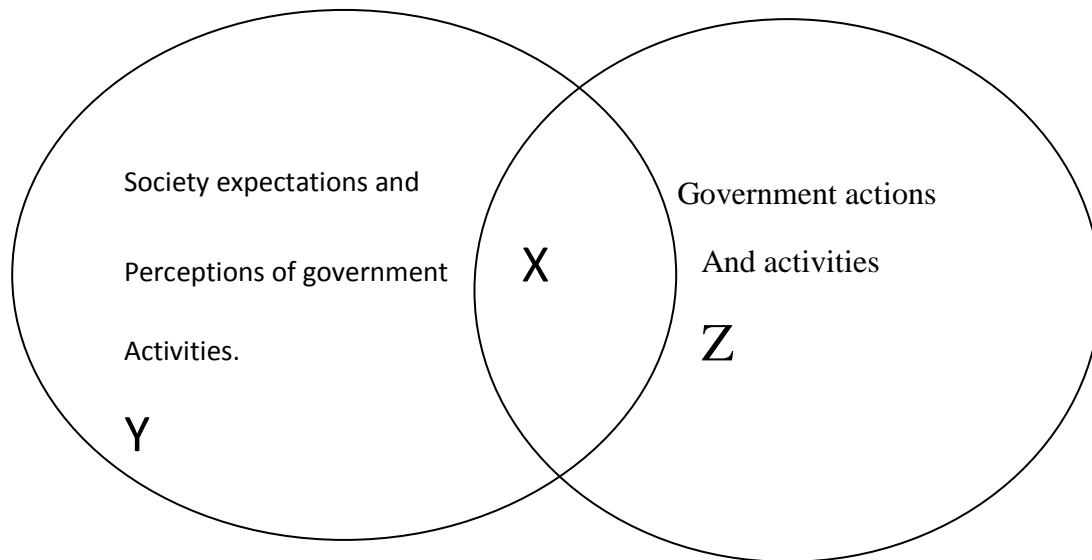
- The organization may seek to educate and inform its relevant publics about actual changes in the perceptions of the relevant publics without having to changes its actual behavior.
- The organization may seek change the perceptions of the relevant publics without having to changes its actual behavior.
- The organization may seek to manipulate perception by deflecting attention from the issue through an appeal to for example, emotive symbols; and/or
- The organization may seek to change external expectations of its performance.

The importance of legitimacy theory for tax compliance and law changes

Legitimacy theory can be applied to tax compliance and law changes as this can be considered as perception of taxation in the mind of the society (i.e. in my case, tax payers).

The illustration in figure 1 adopts the perspective that threats to present or potential legitimacy emanate from the organization negative association with an issue/event. This figure has been adapted from (**O'Donovan, 2002**).The area marked X in Figure 1 represents congruence between the organization's activity and society's expectations of the institution and its activities, based on social values and norms. Areas Y and Z represent incongruence between the organization's actions and society's perceptions of what these actions should be. These areas represent "illegitimacy" or legitimacy gaps(Sethi,1978).The aim of the organization is to be legitimate to insure area X is as large as possible, thereby reducing the legitimacy gap. A number of legitimation tactics and disclosure approaches may be adopted to reduce the legitimacy gap.

Figure 2.1. Legitimacy of government



Source: o'Donovan, 2002

The status of organization legitimacy is based on social perceptions and values, which can and do change over time. In order to manage legitimacy, organizations need to know how legitimacy can be gained, maintained or lost. At a broad level, Wartick and Mahon (1994) suggest that legitimacy arise because:

- The organizational performance changes while societal expectations of its performance remain the same.
- Societal expectations of organizational performance change while organizational performance remains the same; and
- Both organizational performance and societal expectations change, but they either move in different directions, or they move in the same direction, but with a time lag.

Organizations can only successfully manage legitimacy by identifying important” manageable ”issues/events at the same time as identifying group of stakeholders who have the necessary

attributes to be able to confer or withdraw legitimacy in respect of those issues/events (Neu et al., 1998). It is posited that once legitimacy is threatened organizations embark on a process of legitimation targeted primarily at those groups who it perceives to be its "conferring publics" (O'Donovan, 2000) those who have the necessary stakeholder attributes (Mitchell et al., 1997) to confer or withdraw legitimacy. Terms such as relevant publics (Buhr, 1998; Lindblom, 1994; Neual., 1998), constituents (Bansal, 1995) and social actors (Ashforth and Gibbs, 1990; Deephouse, 1996; Pfeffer and Salancik, 1978) have been used to describe stakeholders who may be potentially influential in determining an organization's legitimacy. The term "conferring publics" is both a tightening and amalgam of these terms.

According to O'Donovan, (2002), there are several tactics to create or sustain legitimacy, these tactics are avoid, attempt to alter social values, attempt to shape perceptions of the organization and conform to public values. Avoidance is concerned with reducing negative perception of the public. Remove all legitimacy threats, all negative information have to be avoided. Attempt to alter social values refers to as trying to change the mind of the public. Transform their negative perception into positive perceptions, here the public can be educated about the risks associated with low compliance and benefits of complying with tax rules and regulations. While trying to shape perceptions of the organization, there is a need to go back to the past achievements of the organization analyze them and indicate whether the institution did not breach any current law and regulation. And lastly the organization needs to conform to conferring publics values, and insure them good practice in the future.

Table 2.1. Tactics to create and sustain legitimacy

Response/tactic	Tax compliance and law changes
A. Avoid	<ul style="list-style-type: none"> -Do not enter public debate of the effect of low compliance and consequences of low compliance. -Do not publicise what may be perceived as negative information.
B. Attempt to alter social values	<ul style="list-style-type: none"> -Educate the public on the risks associated with low compliance and benefits of complying with tax rules and regulation.
C. Attempt to shape perceptions of the organization	<ul style="list-style-type: none"> -Reiterate past achievements of the institution. -Indicate the institution did not breach any current law or regulations.
D. Conform to conferring public values	<ul style="list-style-type: none"> -Insure good practices.

Source: o'Donovan, 2002

CHAPTER THREE: RESEARCH METHODOLOGY

This thesis conducted an exploratory case study on the role of changes in the law to support tax compliance by the private sector in the city of Kigali. Case study research is particularly useful at exploring phenomenon. This paper followed procedures recommended for conducting case study research (Yin, 1985). In a case study, it is important to integrate relevant theory and at the same evidence from the case. Given that this thesis aims to explore the role of law changes in tax compliance in a particular context (i.e. Rwanda), case study is a suitable method for investigation.

3.1. Research design

The research used an explanatory design. This approach tends to clarify why and how two or more aspects of situation or phenomena relate each other. This approach used to identify the reasons and answer as to why and how the relationship between tax law changes and tax compliance through government legitimacy. The study used qualitative research design. This focuses on understanding social phenomenon from the perspective of human participants in the study.

3.3 .population of the study

The population of this study was composed by two groups, the first group was 41,732 tax payers and the second group is composed by tax administrators and collectors.

The first group of this population is represented by 48 tax advisors as these are representatives of taxpayers to RRA and the second group is represented by 2 RRA staff as allowed by their authorities.

3.4. Data collection

50 respondents were interviewed including tax collectors and administrators as well as representatives from private business institutions. 2 tax collectors, administrators and 48 representatives from private business institutions. The respondents were selected from relevant institutions such as: Rwanda Revenue Authorities, private sector federation and tax consultants. To supplement the interviews, secondary data was gathered from published materials, and own observation. The interviews lasted around 30 minutes. The interviews were recorded in full. This

approach to the interview provided freedom to the respondents to express their opinions and thoughts freely and was quite useful for exploring the aim of this thesis.

A questionnaire was also developed to collect the views of tax collectors and administrators as well as representatives from private business institutions about tax compliance. The questionnaire is attached as appendix 1. The interview guideline includes closed questions with the option of 'Agree or Disagree'. The questions were in two parts, one was for the identification of respondent or respondent personal data, and another was general questions on tax compliance and relevant changes in law. Participants were guaranteed confidential treatment and confidentiality of the information collected. Thus, the word "confidential" was written to the interview guideline form.

3.5. Data analysis

Furthermore, several tables were created with the collected information. In the tables, I organized the most relevant findings and then, this information was turned into numbers that could be counted in order to draw conclusions and create figures. Doing manual transfer of the responses from the questionnaire into a spread sheet . Putting each question number as a column head in , and use one row for each person's answers. Then assigning each possible answer a number or a code , going through each respondent's questionnaire in turn, adding in codes. I entered this data into a spreadsheet and set up the tables to display the data.

3.6. Introduction to the context of this thesis - taxation in Rwanda

The history of taxes in Rwanda indicates that the first tax legislation was inherited from the colonial regimes. This tax legislation includes the ordinance of 16August 1912, which establishes graduated tax and tax on real property. There was another ordinance on 15thNovember 1925 adopting and putting into application the order issued in Belgian Congo on 1st June 1925 establishing a profit tax. This law was amended from time to time in order to

comply with the changing economic environment. Such other legislative instruments include the 1973 law governing property tax, the tax on license to carry out trade and professional activities, the law No.29/91 of 28th June 1991 on sales tax and turnover, a tax now repealed and replaced the law No.06/2001 of 20/01/2001 on the code of value Added Tax(VAT).A turnover tax being a tax applied to a product at a specific stage of production, rather than being charged at the point of sale, as with sales tax whereas VAT is a form of consumption tax. it is collected by VAT registered traders on their suppliers of goods and services. It is imposed on each stage of supply chain.

A substantive law governing customs was enacted on 17th July 1968 accompanying the Ministerial order of 27th July 1968, putting into application the customs law. The administration and accountability of taxes and duties in Rwanda was initially under the Ministry of Finance and Economic planning. This was later vested into an independent body-The Rwanda Revenue Authorities-that was established by law no.15/97 of 8th November 1997.In 2005,the parliament adopted law no.25/2005 of 04/12/2005 on tax procedures, amending Decree-law of December 28/1973 relating to personal Tax, law no.66/2001 of January 20/2001 on the code of Value Added Tax and law no.9/97 of June 26/1997 on the code of Fiscal procedures.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Introduction

This chapter deals with data analysis, presentation of the findings of the research secondary and primary data from the study in relation to the research questions and the assessment of law changes and tax compliance. The data collected was from field were encoded and analyzed. The data was collected through a structured questionnaire that was distributed to the 50 tax advisors and tax administrators. The data presentation is in form of percentages .The researcher's judgments are not final conclusive and therefore stand for further investigator's contributions.

4.1 Tax compliance by private firms in Rwanda

The levels of tax compliance in Rwanda differ based on the size of the firms, i.e. small tax payers, medium tax payers and large tax payers.

For small taxpayers, the number of tax compliance varying 2009/2010 in terms of returns (declarations) (see Table 1). For 53,939 profit tax expected returns from small taxpayers, 27,099 returns were received on time, representing 50.2% compliance rate. Up to 12% of small taxpayers filed nil profit returns. This implies low compliance while comparing the expected returns(declarations) and actual returns. Out of 35,775 VAT returns expected from small taxpayers, 30,117 were filed on time, achieving 84.2% compliance rate. However, 47.8% of VAT returns received during the year were nil. This implies high compliance in the part of VAT returns the results from the use of Electronic Billing Machine (EBM) of 88,874 PAYE returns expected from small taxpayers, 25,650 were filed on time, which is 28.9%, while 71.4% were not filled. Pay as You Earn (PAYE) filing compliance for small taxpayers is weak and more efforts are being focused on this. The average compliance rate for small taxpayers for returns filing during 2009/2010 was about 54.4%. The percentage of taxpayers who filed nil profit return

implies less compliance of SMEs. This may due to ignorance, carelessness, recklessness, or deliberate evasion as well as weaknesses in tax administration.

Table 4.1. Tax compliance for small taxpayers by types of taxes in 2009/2010

TAX	Expected number of returns	Actual tax returns submitted	Compliance rate	Nil filed
Profit tax	53,939	27,099	50.2%	12%
VAT (1)	35,775	30,117	84.2%	47.8%
PAYE	88,874	25,650	28.9%	71.4%
Average			54.4%	

Notes:

source: RRA annual report 2009/2010

- (1) VAT corresponds to Value Added Tax.
- (2) PAYE corresponds to Pay as You Earn.

For medium taxpayers, the number of tax compliance vary(see table2),the5,382 profit tax expected return from medium taxpayers, 4,632 were received on time, representing 86.1% compliance rate. Up to 23.8% filed nil profit tax returns. This implies high compliance regarding profit tax while comparing expected returns on profit tax against actual returns. Out of 18,954VATreturns expected from medium taxpayers,17,414were file on time, achieving 91.9%compliance rate while 1,520VAT returns or 8%were not filed. Nil filed VAT returns for medium taxpayers represent 23.5%of all VAT returns filed by medium taxpayers. This implies high compliance and this is due to the use of EBM machine. Of the 17,396 PAYE returns expected from medium taxpayers, 15,084were filed on time, which is 86.7%compliance rate,3,150 PAYE returns or 18%were not filed while 12.4%of PAYE returns received from medium taxpayers were nil. The average compliance rate for medium taxpayers for return filing during 2009/2010 was about 88.2%.The rate of compliance regarding medium taxpayers is higher compares to the case of small taxpayers this may be due to stronger accounting system plied by medium taxpayers compared to the small one.

Table 4.2. Tax compliance for medium taxpayers by types of tax in 2009/2010

Tax	Expected Return	Actual Return	Compliance Rate	Not filed	Nil
Profit tax	5,382	4,632	86.1%	-	23.8%
VAT (1)	18,954	17,414	91.9%	8%	23.5%
PAYE (2)	17,396	15,084	86.7%	18%	12.4%
Average			88.2%		

Notes:

source: RRA annual report 2009/2010

(1) VAT corresponds to Value Added Tax.

(2) PAYE corresponds to Pay as You Earn.

For large taxpayers, the number of tax compliance vary (see table 3). Of the 1,302 expected profit tax returns, LTO received 1,224 returns on time, representing 94% compliance rate. Non filed returns represent 1.3% of the expected, while nil filed profit tax return in LTO represent 8.7% of all profit tax returns received by LTO. This implies very high compliance of large tax payers regarding profit tax declaration. Out of 3,048 returns expected during 2009/2010, 3,030 were filed on time, representing 99.4% compliance rate. Nil filed VAT returns for large taxpayers represent 12.4% of all VAT returns received in LTO. This implies almost maximum compliance regarding VAT. Of the 3,265 PAYE return expected, 3,236 were filed on time, representing 99.1% compliance. Nil filed PAYE returns in LTO represent 6.7% of PAYE returns filed by large taxpayers. For 570 excise duty expected returns, LTO received 557 returns on time, representing 97.7% compliance rate. The average filing compliance rate for profit tax, VAT, PAYE and Excise duty for LTO during 2009/2010 was 97.6%. The higher compliance in the case of large taxpayers is due to the skills, low evasion that implies the controllable tax on the part of tax administrators.

Table 4.3: Tax compliance for large taxpayers by types of tax in 2009/2010

Tax	Expected Return	Actual Return	Compliance Rate	Not filed	Rate of Nil
Profit Tax	1,302	1,224	94%	1.3%	8.7%
VAT (1)	3,048	3,030	99.4%	-	12.4%
PAYE (2)	3,265	3,236	99.1%	-	6.7%
Excise Duty	570	557	97.7%	-	-
Average			97.6%		

Notes:

RRA annual report 2009/2010

- (1) VAT corresponds to Value Added Tax.
- (2) PAYE corresponds to Pay as You Earn.

To sum up, the average tax returns filing compliance rate for all categories of taxpayers during 2009/2010 was 80%. It should be noted that there is remarkable increase in filing compliance levels. More efforts towards changing taxpayers' behavior towards paying taxes are still needed. Despite improvement in taxpayer compliance especially for large taxpayers, most small and medium taxpayers still face difficulties in complying with their tax obligations. Some taxpayers still have difficulties in keeping books of accounts and as such have impact on certain taxes that require proper invoicing like VAT. Medium-size enterprise generally keep records, however common compliance issues include understating sales, overstating purchases, falsifying documents (e.g., VAT invoices) and creative accounting (such as keeping of two sets of books). Small and micro business operators generally have low literacy and numerical skills, and have limited understanding of both the tax system and business record keeping. Also some taxpayers fail to file and pay on time. In addition, RRA encounters many forms of VAT refund and credit fraud, such as fake exports, overstated input tax, understated output tax, and illegitimate businesses registered for the sole purpose of defrauding the government. On average, RRA rejected 18 percent of VAT refund claims lodged, the majority being from medium-size enterprises. Smuggling of goods from neighboring countries continues also to surface in districts bordering Uganda and DRC. Other methods of smuggling and tax evasion are also being employed by the business community including forging of documents for imported goods (RRA annual activity report for 2009/2010).

Recent law changes to promote tax compliance

The respondents stated in the interviews that there were several law changes relevant for tax compliance. The first one was *launching of new VAT law for public tendering*, and the second one was the *implementation of the new SMEs tax regime*. The first change implied that from January 28, 2013 a new VAT law has been introduced. All public institutions were obliged to record VAT on all public tenders at the time of payment and declare it to Rwanda Revenue Authority within 15 days after collecting it. This law change made the filling of declarations and paying of paying VAT on public tenders no longer a responsibility of the suppliers (i.e. suppliers of public institutions). This change in law was aimed at facilitating business people, who usually failed to pay VAT in time as a result of payment delays. Some business people had to apply for bank loans to be able to pay VAT while they had won considerable public tenders. The second change was the *implementation of the new SMEs tax regime*. This new law was published in the official gazette on 10th September 2012 and was implemented thereafter. The law categorized taxpayers into two categories (i.e. micro and small taxpayers) with different tax bands based on their turnover. In the long run, this was expected to reduce the burden on the few taxpayers (i.e. large and medium) and sustain the revenue base. The small enterprises with a turnover of Rwf 12 Million to Rwf 50 million paid a flat tax rate of 3 percent instead of four percent per annum. The micro enterprises with a turnover of Rwf 12 million or less were grouped in four bands with tax amounts as follows:

- From Rwf 10,000,001 to 12,000,000 paid Rwf 300,000,
- From Rwf 7,000,001 to 10,000,000 paid Rwf 210,000,
- From Rwf 4,000,001 to 7,000,000 paid Rwf 120,000 and
- From Rwf 2,000,000 to 4,000,000 paid Rwf 60,000.

This grouping eases the tax burden on low income SMEs, will still providing the government with enough revenue to perform all its functions.

The role of law change for tax compliance

48 interviewees out of 50 answered the closed questions on the role of law changes for tax compliance in Rwanda. Their answers are summarized in the table 4.4. According to the research carried out, the need for tax compliance is greater to the tax administrators than taxpayers,

particularly among the private sector. As explained above that 50 questionnaires were distributed to the staff of Rwanda Revenue Authorities(RRA) ;some selected individuals tax payers, tax advisors as well as corporate bodies, out of which 48 questionnaires were completed and returned.

Table 4.5. Responses to the questions

No.	QUESTIONS	AGREE	DISAGREE	TOTAL
1	Law changes is employed by relevant authorities to achieve target revenue.	36	12	48
2	Tax law changes solves the problems of tax evasion, avoidance and other irregularities.	39	11	48
3	Law change ensures the submission of accurate and current return.	48	-	48
4	The awareness of the change in tax law makes the tax payers to render a satisfactory return.	43	5	48
5	Needs for Rwanda self-financing is what brings about the tax law changes.	34	16	48
6	Tax payers co-operate during the law changes.	12	34	48
7	The tax law changes improve the level of compliance.	33	15	48
8	Effective sanction on non-compliance with the tax rules and regulation.	12	36	48
9	Skills of personnel conducting the law changes.	46	2	48
10	Equipment and adequacy of personnel conducting the tax law changes.	22	26	48

Source: field survey

In table 4.4,I present percentages of the responses where research results indicated that seventy-six percent (76%) of the respondents agreed that law changes are employed by relevant authorities to achieve target revenue. Twenty-four percent (24%) are in the position of disagree. When asked whether the tax law change solves the problems of tax evasion, avoidance and other irregularities, eight-one percent (81%) agreed and only nineteen percent disagreed. All of the respondents agreed that law changes ensure the submission of accurate and current returns. Ninety (90%) percent of the respondents agreed that the awareness of the change in law makes the tax payers to render a satisfactory return, only ten percent (10%)were in position of disagree.

When asked whether needs for Rwanda self-financing is what brings about the tax law changes, seventy-one percent of respondents agreed while twenty-nine percent(29%)were in position of disagree. Only twenty-four percent (24%) of respondents agreed that tax payers co-operate during the law changes and other seventy-six percent (76%) were not agree. Sixty-nine percent (69%) of the respondents agreed that the tax law change improves the level of compliance while thirty-one percent (31%) were in position of disagree. When asked whether there are effective sanctions on non-compliance, only twenty-six percent (26%) of the respondents agreed while seventy-four percent (74%)were in the position of disagree. Seventy-five percent (95%) of the respondents agreed that personnel conducting the law change are skilled enough and five percent(5%)are in position of disagree. And finally about equipment and adequacy of personnel conducting the tax law changes, forty-five percent (45%) of respondents agreed and fifty-five percent (55%) disagreed. Overall the results in table 5 signal that around sixty-eight percent (68%) of respondents were in position of agree while thirty-two percent(32%)were in position of disagree. This implies that there is moderate relationship between law change and tax compliance.

Table4.6.Percentage to the responses

No	QUESTIONS	AGREE	DISAGEE	TOTAL
1	Law changes is employed by relevant authorities to achieve target revenue.	76	24	100
2	Tax law change solves the problems of tax evasion, avoidance and other irregularities.	81	19	100
3	Law changes ensures the submission of accurate and current returns.	100	-	100
4	The awareness of the change in tax law makes the tax payers to render a satisfactory return.	90	10	100
5	Needs for Rwanda self-financing is what brings about the tax law changes.	71	29	100
6	Tax payers co-operate during the law changes.	24	76	100
7	Tax law change improves the level of compliance	69	31	100
8	Effective sanction on non-compliance with the tax rules and regulation.	26	74	100
9	Skills of personnel conducting the law change.	95	5	100
10	Equipment and adequacy of personnel conducting the tax law change.	45	55	100

Source: Field survey

3. ANALYSIS

Overall legitimacy of tax compliance law and government administrative services

The research reveals that 74% of the respondents disagreed that there is no effective sanction on non-compliance of tax rules and regulation, while only 26% of the respondents agreed that there are effective sanctions on non-compliance. Other things that will show the effectiveness of the tax law change, is the issue the skills possessed by the personnel conducting the law change. The study also indicates that 95% of the respondents agreed that the personnel conducting the law change are skillful in the area of tax law, while only 5% of the respondents are of different view. On confirming whether the personnel conducting the tax law change are adequate and well equip with necessary working materials. It reveals that 55% of the respondents disagreed that the personnel are not adequate and not equip, this can affect their efficiency on the work, while 45% of the respondents agreed that they are adequate and well equipped.

The results show that the action of taxpayers-whether due to ignorance, carelessness, recklessness, or deliberate evasion as well as weaknesses in tax administration-means that instances of failure to comply with the law are inevitable. Therefore, change in tax law insures that non-compliance with tax law is kept to a minimum with good administration. This influences to develop the legitimacy of tax compliance in Rwanda.

Using law changes in tax compliance to build government's legitimacy

On confirming whether or not the tax law change increases level of tax compliance, 76% of the respondents agreed that the law changes are employed toward achieving target revenue, while 24% of the respondents are on the position of disagree. Law changes can be effective if its design in such a way to eliminate the problems of tax evasion, tax avoidance and other tax irregularities. The study reveals that 81% of the respondents agreed that the tax law change reduce the problems of tax evasion, avoidance and other irregularities in tax matters, while 19% of the respondents disagreed. For effective Rwanda self-financing, law changes ensure the submission of accurate and current returns. In this study all the respondents agreed that law change ensures the submission of accurate and current returns. Awareness of the change in the tax law makes the tax payers to render a satisfactory return to the RRA.

Awareness of law changes in stimulating the legitimacy of tax compliance

The study also revealed that 90% of the respondents agreed that awareness of the changes in the tax law is the main way that would make the tax payers to comply with the tax rules and regulation, while 10% of the respondents disagree. One of the reason behind the tax law change is the need for Rwanda self-financing. In this regard 71% of the respondents agreed that the need for Rwanda self-financing is another reason behind the tax law changes, while 29% of the respondents disagree with the issue of the need for Rwanda self-financing. The tax law changes can also be effective if the tax payers are fully co-operated in the exercise. The study reveals that 76% of the respondents disagreed that the tax payers are not co-operated with the tax law change exercise and this can equally affect the objective of the tax law change, while 24% of the respondents agreed that the tax payers co-operate. To some extent the tax law changes improves the level of compliance and at the same time reduces the level of non-compliance tax payers. It can be seen from the table that 69% of the respondents agreed that the tax law change improves the level of compliance of tax payers with the tax rules and regulations, while 31% of the respondents are of the position of disagree. Effective sanctions over the non-compliance with the tax rules and regulations will make them to comply.

Almost all respondents agreed that awareness of the change in tax law makes the taxpayers to render a satisfactory return. So for their part taxpayers have an important role to play in meeting their obligation as in many situations.

Tactics for creating government legitimacy for tax compliance

O'Donovan, (2002) developed several tactics to create or sustain legitimacy, they tactics are avoid, attempt to alter social values, attempt to shape perceptions of the organization and conform to public values. As follow, I apply three relevant tactics based on the results of my research

1. Attempt to shape perceptions of the organization

As tactics for creating legitimacy, perceptions of the organization have to be shaped. This is done through go back to the past performance and analyze them in order to find out whether it comply with society expectations. Law changes is an answer to comply with public expectation for building legitimacy.

2. Identification of relevant conferring publics for the creation of tax compliance's legitimacy

Conferring publics refers to those who have the necessary stakeholders attributes(Mitchel et,al,1997)to confer or withdraw legitimacy. Stakeholders who may be potentially influential in determining an organization's legitimacy (Ashforth and Gibbs,1990,Deephouse,1996,pfeffer and Salancik,1978).In the case of RRA conferring public may be:

- **Tax advisors and**
- **Tax payer's accountants**

Tax advisors connect tax collectors and tax payers are who knows taxation more than tax payers and these are more accepted and trusted by taxpayers so they can directly affect public legitimacy. And taxpayers accountants ,these prepare accounts for taxpayers .These accounts are tax basis .Tax payers accountants have knowledgeable enough while some of tax payers doesn't have enough knowledge about accounts and taxation. In addition to this, tax payers accountants are really trusted by tax payers so their perception can build or hinder legitimacy.

3. Conferring publics values and perceptions of RRA

RRA conferring public expects from RRA that:

- Law changes to be employed by relevant authorities to achieve target revenue
- Tax law change solves the problems of tax evasion, avoidance and other irregularities
- Law changes ensures the submission of accurate and concurrent returns.

- The awareness of the change in tax law makes the tax payers to render a satisfactory return.
- Needs for Rwanda self-financing is what brings about the tax law changes
- Tax payers co-operate during the law changes.
- Tax law change improves the level of compliance
- Should exist effective sanctions on non-compliance with the tax rules and regulation.
- Personnel conducting the law change should be skilled enough.
- Should exist equipment and adequacy of personnel conducting the law change.

From the above conferring public expectation, what can be viewed as legitimacy gap is that tax payers does not co-operate during the law changes, and as there is not effective sanction on non-compliance with the tax rules and regulation, and lastly equipment and personnel conducting the law change are not adequate as revealed from the result of the research .While analyzing the causes of those illegitimacy weaknesses on the part of tax administration can be on the top. All these threats can have a negative response on tax compliance, i.e. reducing the level of complying with tax rules and regulations.

Deciding on tactics and disclosure options for managing legitimacy

For tax payers co-operation, regular seminars and symposium can be applied as a good way of tax payers involvement in law changes and let them participate in this exercise. Severe sanctions with non compliance can be combined with tax law education on the part of taxpayers. Recruiting qualified personnel and training existing staff about tax law changes and give them necessary materials can also solve a problem of inadequacy of materials and personnel. Public relations, tax education and tax consultation and guidance and examinations (Aisa-pacific tax bulletin vol.9 no.6 June 2003)can also be used as tactics to enhance tax compliance through government legitimacy. public relations is to build a tax conscious environment not only among tax payers but among the public including latent taxpayers, and can be categorized as the need to: enhance tax compliance; diffuse and enhance public knowledge of taxation; improve mutual understanding and trust between taxpayers and tax authorities and obtain the understanding and cooperation from mass-media for tax administration. Tax education is part of public relation activities, which can create

important role in creating tax awareness. The target audience is primarily students, who are recognized as future tax payers. The objectives of tax counseling is to assist taxpayers in matters related to tax and encourage the voluntary submission of accurate tax returns and payment of taxes. In order to enhance tax payer compliance so that they voluntarily file tax returns and pay taxes appropriately, the tax administrators should provide individuals and groups with guidance on how to improve bookkeeping standards and tax returns. The guidance should include assistance to firms who are launching new business, as well as explanatory sessions that are held when laws are amended. As law changes is a tool for creating government legitimacy for tax compliance.

Identification of conferring publics

Conferring publics refers to those who have the necessary stakeholders attributes (Mitchel et,al,1997)to confer or withdraw legitimacy. Stakeholders who may be potentially influential in determining an organization's legitimacy (Ashforth and Gibbs,1990,Deephouse,1996,pfeffer and Salancik,1978).In the case of RRA conferring public may be:

- **Tax advisors and**
- **Tax payer's accountants**

Tax advisors or tax consultants are financial expert specially trained in tax law. These put together taxpayers and tax administrators. As these are highly trusted by tax payers, so they affect directly government legitimacy in the case of tax compliance. And tax payers accountants prepare accounts on tax payers behalf. Their knowledge in the field of accounting from which taxes are calculated makes them trusted by tax payers. So perception of these accountants plays an important role to improve or hinder taxpayers legitimacy regarding tax compliance.

Conferring publics values and perceptions of RRA

RRA conferring public expects from RRA that:

- Law changes to be employed by relevant authorities to achieve target revenue
- Tax law change solves the problems of tax evasion, avoidance and other irregularities

- Law changes ensures the submission of accurate and concurrent returns.
- The awareness of the change in tax law makes the tax payers to render a satisfactory return.
- Needs for Rwanda self-financing is what brings about the tax law changes
- Tax payers co-operate during the law changes.
- Tax law change improves the level of compliance
- Should exist effective sanctions on non-compliance with the tax rules and regulation.
- Personnel conducting the law change should be skilled enough.
- Should exist equipment and adequacy of personnel conducting the law change.

From the above conferring public expectation, What can be viewed as legitimacy gap is that Tax payers does not co-operate during the law changes, and as there is not effective sanction on non-compliance with the tax rules and regulation, and lastly equipment and personnel conducting the law change are not adequate as revealed from the result of the research .While analyzing the causes of those illegitimacy weaknesses on the part of tax administration can be on the top. All these threats can have a negative response on tax compliance ie. reducing the level of complying with tax rules and regulations.

Deciding on tactics and disclosure options for managing legitimacy

For tax payers co-operation, regular seminars and symposium can be applied as a good way of tax payers involvement in law changes and let them participate in this exercise. Severe sanctions with non compliance can be combined with tax law education on the part of taxpayers. Recruiting qualified personnel and training existing staff about tax law changes and give them necessary materials can also solve a problem of inadequacy of materials and personnel.

Other tactics to promote government legitimacy for voluntary compliance are: public relations; tax education; tax consultation; and guidance and examinations.(AISA-PACIFIC TAX BULLETIN Vol.9,no.6 June 2003).The purpose of public relation is to build government legitimacy not only among tax payers but also among the public including latent taxpayers, and can be categorized as need to: enhance tax compliance; diffuse and enhance public knowledge of taxation; improve mutual understanding and trust between tax payers

and tax authorities and; obtain the understanding and cooperation from mass-media for tax administration. Tax education is a part of public relation activities, which can play important role in creating tax awareness (Osman,J.(1992).The target audience is primary students, who are recognized as future tax payers. The objective of tax counseling is to assist tax payers in matters related to tax and encourage the voluntary submission of accurate tax returns and payment of taxes. Tax counseling offices provides advice on the interpretation and application of tax laws, procedures for filling returns and applications. In order to enhance legitimacy regarding taxpayer compliance so that they voluntarily file tax returns and pay taxes appropriately, the tax administration provides individuals and groups with guidance on how to improve bookkeeping standards and tax returns. The guidance includes assistance to firms who are launching new business, as well as explanatory sessions that are held when laws are amended.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF MAJOR FINDINGS

This thesis aimed at investigating the role of law changes on tax compliance for creating government's legitimacy. This thesis found that the relevant authorities employed tax law change towards achieving target revenue through government legitimacy. The tax law change reduces the problems of tax evasion, tax avoidance and other tax irregularities, furthermore, law changes aimed at ensuring the submission of accurate and current returns for proper computation.

The findings and analysis revealed also that the awareness of the change in tax law increase legitimacy for compliance and reduce non-compliance tax payers, and that one of the reason behind the tax law change is the need for Rwanda self-financing, and it was found that as legitimacy gap taxpayers do not usually co-operate with the law change authorities during the exercise.

As legitimacy gap the results shows also that non effective sanctions over the non-compliance, and finally the law change personnel are not adequate and equipped with necessary working materials. Even if that personnel conducting the law change are skillful in the area of tax law, some tactics need to be put in place in order to reduce those legitimacy gap.

5.2 CONCLUSION

From the above, it is realized that some of the causes of legitimacy gap which causes low tax compliance is due to ignorance, carelessness, recklessness, or deliberate evasion as well as weaknesses in tax administration. Furthermore, it was realized that lack of enabling legal and regulatory framework and even enforcement of the existing legal structure was another handicap to causing legitimacy gap which causes low tax compliance. Therefore, beside other measures to be taken, change the tax law is necessary to improve government legitimacy for tax compliance and increase Rwanda self-financing.

5.3. RECOMMENDATIONS

Given the theoretical framework and data collection and analysis, captured here are good practices to enhance government legitimacy for tax compliance. The guideline summarizes recommendations to the Rwanda Revenue Authorities, tax payers in private sector. That is to elaborate on, what actions needs to be taken by each stakeholder, measures aimed at enhancing government legitimacy regarding tax compliance.

The research tried to highlight each stake holder's role and responsibilities. The recommendations are summarized below.

As drawn from the results, on the part of tax administrators, Rwanda Revenue Authorities should improve the standard of the tax law changes employed for effectiveness and efficiency. And then the tax law changes should aim at reducing more problems of tax evasion, tax avoidance and other tax irregularities for standardization. And also the law change should provide a policy to the public on the awareness of the importance of tax payment and the effect of non-tax payment, so that the level of legitimacy would be high and illegitimacy will be low or even none.

For their part, taxpayers should have God fearing and submit the accurate returns of their operation for Development of their country. RRA should also provide a policy that would allow the taxpayers to co-operate during the exercise of the tax law change and at the same time the taxpayers should do their best toward cooperating with the law changes personnel during the period of the exercise.

For law changes success, RRA should also improve the standard of law change personnel so that they can highly improve legitimacy for tax compliance on the part of taxpayers. And therefore, there should be effective sanctions by RRA over the non-compliance taxpayers with the tax rules and regulations. In addition to this RRA should provide a regular seminar and symposium to the law change personnel for improving their efficiency and effectiveness. And lastly RRA should employ more qualified tax law change personnel and equipped them with necessary working materials, so that they can improve their efficiency.

5.3. RECOMMENDATIONS FOR FUTURE RESEARCH

Throughout this research, there were many issues relevant to better understand the role of tax compliance in society. These issues could not be addressed in this thesis; therefore, I want to suggest them for future research. These areas are tax audit for tax compliance, the impact of penalties on tax compliance, and the role of qualified tax officers in tax compliance

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APPENDIX 1

INTERVIEW GUIDE LINE

Confidentiality:” Any information provided under all circumstances, will be kept strictly confidential”.

This interview guideline is intended to assess and analyze the level of tax compliance in Rwanda, exercise of law changes, and effect of law changes on tax compliance. The gathered information will help the researcher articulate recommendations that will guide law changes activities, with special attention to increasing of private sector’s tax compliance.

The survey clustered the population into three categories(Tax administrators, Taxpayers and tax advisors).The survey is meant for 50 respondents and should last for 30 minutes per respondent.

Part A

Identification/personal data:

Region.....

District.....

Sector.....

Sex..... Age.....

Respondent profession(please circle where appropriate)

1. Tax administrator
2. Tax payer
3. Tax advisor

Part B

All the composed item pool measures the same thing. The respondent is required to tick one of the two position(agree or disagree)for each item.

1.Law changes is employed by relevant authorities to achieve target revenue.

1.Agree **2.Disagree**

2.Tax law changes solves the problems of tax evasion, avoidance and other irregularities.

1.Agree **2.Disagree**

3.Law changes ensures the submission of accurate and current return.

1.Agree **2.Disagree**

4.The awareness of the change in tax law makes the taxpayers to render a satisfactory return.

1.Agree **2.Disagree**

5.Needs for Rwanda self financing is what brings about the tax law changes.

1.Agree **2.Disagree**

6.Taxpayers co-operate during the law changes.

1.Agree **2.Disagree**

7.Tax law change improves the level of compliance.

1.Agree **2.Disagree**

8.Effective sanction on non-compliance with the tax rules and regulation.

1.Agree **2.Disagree**

9.Skills of personnel conducting the law change

1.Agree **2.Disagree**

10.Equipment and adequacy of personnel conducting the tax law change.

1.Agree **2.Disagree**

