

TAXATION SYSTEM AND TAX EVASION IN RUSIZI DISTRICT, RWANDA

A Thesis

Presented to the College of Higher Degrees and Research

Kampala International University

Kampala, Uganda

In Partial Fulfillment of the Requirements for the Degree

Master of Business Administration (Finance and Banking)

By:

GASORE Nkunda

MBA/33257/102/DF

September, 2012



DECLARATION A

"This thesis is my original work and has not been presented for a Degree or any other academic award in any University or Institution of Learning".

GASORE NKUNDA



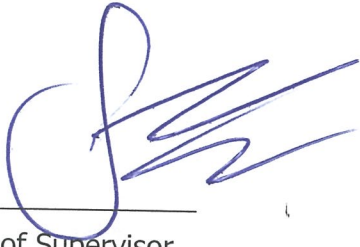
Name and Signature of Candidate

20.09.2012

Date

DECLARATION B

"I confirm that the work reported in this thesis was carried out by the candidate under my supervision".



KASOZI GEOFFREY

Name and Signature of Supervisor

20/09/12

Date

APPROVAL SHEET

This thesis entitled "**Taxation System and Tax Evasion in Rusizi District, Rwanda**" prepared and submitted by GASORE NKUNDA in partial fulfillment of the requirements for the degree of Master of Business Administration (Banking and Finance) has been examined and approved by the panel on oral examination with a grade of PASSED.

Dr. Henry A. Smit

Name and Sig. of Chairman

Kasona G.

Name and Sig. of Supervisor

Mahinga R.

Name and Sig. of Panelist

Sendagizi M. J.

Name and Sig. of Panelist

Name and Sig. of Panelist

Date of Comprehensive Examination: _____

Grade: _____

Name and Sig of Director, CHDR

Name and Sig of DVC, CHDR

DEDICATION

To the Almighty **GOD** whose love is incomparable

To my lovely wife Joséline and Children

To my parents and sisters for having given me support and advice

It is out of their struggle that I have managed to succeed

Thanks for all and God Bless you

ACKNOWLEDGEMENT

Special thank to the **ALMIGHTY GOD** for his blessings to me and my family.

I wish to express my sincere gratitude to the following people and institutions for their support, contribution and advice to this research:

Special thanks to DVC and CHDR Dr Novembrieta R. Sumil and Dr Manuel O. Sumil, management of Kampala International University, Management staff of CHDR and Management staff of COEDL for their instructions and support which allowed me to finally have a Master degree;

Special thanks go to my supervisor Mr. KASOZI Geoffrey for all his efforts and professional guidance, assistance, time and encouragement accorded to me throughout this research study;

Special thanks to the Viva voce panel member, Dr Manuel O. Sumil, Mr Malinga Ramathan, and Mr Ssendagi Muhamad whose commitments and advices have been of a great importance toward the completion of this work;

My thanks are addressed to my colleagues Delphine, Musafiri, Antoinette, Aimable, Bona for their special support and advices towards the success of this training;

My thanks go to entire respondents who have offered me a useful information including their time especially Rwanda Revenue branch office. I wish to acknowledge to my brothers and sisters for their endless support toward the fulfillment of my academic obligations

Finally I would like to acknowledge the authors who are listed in the reference section of this work, whose works have served as important input to this study.

GASORE Nkunda

ABSTRACT

The study investigated "Taxation System and Tax Evasion in Rusizi District, Rwanda". The targeted population was 662 of five selected sectors which were Kamembe, Gihundwe, Mururu, Bugarama, and Muganza sector of Rusizi District. From the targeted population, the sample size of 249 was drawn. Rwanda Revenue staff and business owners included basing on the research objectives which were (1) the determinants of demographic characteristics of the respondents in term of: Gender, Age, Education level under business and none business skills, Number of years running a business, whether the business is registered or not; (2) The extent of taxation system in Rusizi District; (3) The level of Tax Evasion in Rusizi District and (4) The significant correlation between the variables. Descriptive research design, means and Pearson correlation coefficient were applied to analyse the findings. The findings indicated that the majority of respondents in Rusizi District were women (52.6%) and 57.8% aged between 30-40 years, 63.0% and 36.9% have certificate and diploma qualification under business field and under none business skills respectively, results indicated that a big number of respondents 36.9% have 1-2 years experience in doing business and 48.2% of the business is registered. The extent of taxation system in Rusizi District was rated highly on the overall mean range of 2.95 and the level of tax evasion indicated that it was high by the mean range of 3.16. Positive significant correlations between taxation system and tax evasion (the sig. value $0.000 > 0.005$). It was recommended that more research on tax evasion should be conducted; Business people should be provided with basic if possible advanced skills on taxation law. In addition to this, RRA should increase a number of staff to be more effective in tax collection and considering improving where there is weakness.

TABLE OF CONTENTS

DECLARATION A	II
DECLARATION B	III
APPROVAL SHEET	IV
DEDICATION	V
ACKNOWLEDGEMENT	VI
ABSTRACT	VII
ABBREVIATIONS AND ACRONYMS	XII

CHAPTER

ONE	THE PROBLEM AND ITS SCOPE	1
	Background of the study	1
	Statement of the Problem	3
	Purpose of the Study	3
	Research Objectives	4
	Research Questions	4
	Null Hypotheses	5
	Scope	5
	Geographical Scope	5
	Content Scope	5
	Time scope	5
	Theoretical Scope	5
	Significance of the Study	6
	Operational Definitions of Key Terms	6
TWO	REVIEW OF RELATED LITERATURE	8
	Concepts, Opinions, Ideas from Authors/ Experts	8
	Taxation	8

Social security contributions	10
Taxes on payroll or workforce	10
Exercise taxes	11
Value added taxes Refund in Rwanda	12
Evasion of customs duty	13
Evasion of value added tax (VAT)	14
Theoretical Perspectives	15
Related Studies	17

THREE METHODOLOGY 20

Research Design	20
Research Population	20
Sampling Procedures	21
Research Instruments	21
Validity and Reliability of the Instruments	22
Data Gathering Procedures	22
Before the administration of the questionnaires	22
During the administration of the questionnaires	23
After the administration of the questionnaires	23
Data Analysis	23
Ethical Considerations	24
Limitations of the Study	25

FOUR PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA 26

Profile of respondents	26
Determine the extent of Taxation System in Rusizi District	29
Recovering Value Added Tax	31
Determine the extent of tax evasion in Rusizi District	32
Cause of tax evasion in Rusizi District	33
Paying VAT in Rwanda	34

Relationship between the level of taxation system and tax evasion in Rusizi District	36
---	----

FIVE FINDINGS, CONCLUSIONS, RECOMMENDATIONS	38
--	-----------

Summary of Findings	38
Conclusions	39
Recommendations	40
References	42

APPENDICES

Appendix IA: Transmittal Letter	45
Appendix IB: Transmittal Letter for the Respondents	46
Appendix II : Clearance from Ethics Committee	47
Appendix III: Informed Consent	48
Appendix IVA Face Sheet: Demographic Characteristics of the Respondent	49
Appendix IVB: Questionnaire to determine the extent of taxation system	50
Appendix IV C : Questionnaire to Determine the level of tax evasion	52
Appendix V: Validity and Reliability of the Instruments	54
Researcher's Curriculum Vitae	56

LIST OF TABLES

Table 1: Respondents of the Study	21
Table 2: Demographic Characteristics of the Respondents	27
Table 3: Taxation system favor business people to evade taxes	30
Table 4: The business does not recover the VAT	31
Table 5: Tax evasion's facts	33
Table 6: Cause of tax evasion in Rusizi District	34
Table 7: Paying VAT in Rwanda	35
Table 8: Significant correlation between level of taxation system and tax evasion	37
Table 9: Regression Analysis	37

ABBREVIATIONS AND ACRONYMS

AGI	: Adjusted Gross Income
A₂	: Secondary school Education Level
A₁	: Diploma Level of Education
A₀	: Bachelor Level of Education
CVI	: Content Validity Index
PLCC	: Pearson's linear correlation Coefficient
RRA	: Rwanda Revenue Authority
RDB	: Rwanda Development Board
SPSS	: Statistical Package for Social Sciences
VAT	: Value Added Tax
Vs	: Versus

CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background of the study

The world is facing an economic issue which in some instance is linked to the taxes evasion from business corporate of the different countries. Tax evasion have emerged over the centuries (Robert, 2005). The culture of evading taxes has spread all over the countries and this has become a routine habit in any type of business activities with the aim of increasing companies or individual's profitability.

Practically no one in Armenia pays the correct amount of taxes. Many people pay no taxes at all. One wonders how a government can function and provide needed services in such a situation. While working as a consultant in Armenia, there were two principal reasons for the massive underpayment of taxes: there is no mechanism in place to collect taxes and the people feel no moral obligation³ to pay taxes to a corrupt government that does not provide services. This article summarizes the interviews conducted, as well as a few personal experiences (Robert, 1999).

Tax evasion is sometimes linked with the tax collection system which in some cases influences the tax payers to evade taxes, in other circumstances the system favor tax officers to facilitate taxpayers in avoiding taxes. Rwanda is one of the countries which fight against corruption, the fact that there is a higher degree of prevention of corruption the higher people are more cleaver in taking bribe. This is among the factors that contribute to the tax evasion within the country (Spiro, 2005).

With the exception of a few multinational companies that have offices in Armenia, there is basically no mechanism set up to collect and pay taxes. Many local businesses do not "hire" employees. They hire independent contractors and let them take care of their own taxes. Almost none of the independent contractors paid all of the taxes that were legally due and many of them paid nothing. There were a few exceptions, such as in

the case of the independent contractors who worked for U.S. companies that had U.S. government contracts. The U.S. government agency with which they did business insisted that the names of these independent contractors be turned over to the Tax Inspectorate and since the Tax Inspectorate knew that these independent contractors were earning money, they felt that they had to pay (Robert, 1999). There are various reasons which are linked to taxation system why many people would evade taxes; this would include corruption from policemen, government authorities, and tax collectors agents and unclear taxation system.

Meir Tamari states that there is a moral obligation on society to fund social costs, which are recognized by halakhah (the corpus of Jewish law). This obligation goes beyond funding for defense and infrastructure and includes the needs of the poor, the sick and the old as well as religious study and the religious needs of the community. But the tax laws may be disregarded where the king usurps power or where the laws are capricious or discriminatory. This view would seemingly allow for tax evasion in some cases. However, Tamari goes on to say: Jewish legal literature is clear that non-payment of taxes is theft and is therefore forbidden. This is far more difficult in the case of public theft since all the owners and beneficiaries are unknown to the perpetrator (Robert, 1999)

Rwanda has established a system for taxation which has helped in recent years to collect billions of Rwandans francs from taxpayers comparing to the later years. But still there is a problem with businesses activities in evading taxes. This is linked on how the taxation system has been introduced to the small business enterprises. Rusizi district is a bordering district which is more commercial area among the other commercial cities of Rwanda.

Rwanda is aspiring for full economic reliance by laying concrete mechanisms that will enable the citizens to fully fund the country's budgets. Needless to say, the biggest source of domestic revenue is taxes. It is, therefore, disturbing to learn that many

traders continue to evade taxes by, among others, smuggling goods through the borders, especially in the Eastern Province. (www.eastafrica.net)

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. Despite that the Government of Rwanda has adopted, implemented and amended the laws regulating taxes, there still businesses industries and private owned businesses who smuggle goods into the country, thus this deteriorate the economy of the country. It was therefore of paramount importance to make research on "Taxation system and tax evasion in Rwanda.

Statement of the Problem

Government of Rwanda has instituted policies both monitoring and fiscal, the fiscal policies aim at increasing tax base. Despite the widespread civic education on taxation, businesses enterprises seem to under declare the profit

Some businesses even don't pay taxes at all. Smuggled goods find their way into the country and this subsequently distorts economic cooperation. It's against this background that this research would like to find out if there are relationship between the taxation system and the tax evasion in Rwanda.

Purpose of the Study

1. To test the hypothesis of no significant relationship between the taxation system and tax evasion in Rusizi District, Rwanda
2. To validate existing information related to the theory to which the study was based.
3. To generate new information based on the findings of the study.
4. To bridge the gap noted in the previous study.

Research Objectives

General Objectives

Investigate the relationship (correlation) between taxation system and tax evasion from taxpayers in Rusizi District.

Specific Objectives

To be sought further in this study, the specific objectives will be as follows:

1. To identify the demographic characteristics of the respondents in terms of:
 - 1.1 Gender
 - 1.2 Age
 - 1.3 Qualifications under the business discipline
 - 1.4 Qualifications other than the business discipline
 - 1.5 Number of years doing a business experience
 - 1.6 Number of business registered for tax
2. To determine the extent of taxation system in Rusizi District
3. To determine the level of tax evasion in Rusizi District
4. To establish the significant relationship between taxation system and the level tax evasion in Rusizi District

Research Questions

This study will seek to answer the following research questions:

1. What are the demographic characteristics of the respondents as to:
 - 1.1 Gender?
 - 1.2 Age?
 - 1.3 Qualifications under the business discipline?
 - 1.4 Qualifications other than the business discipline?
 - 1.5 Number of years doing a business experience?
 - 1.6 Number of business registered for tax?
2. What is the extent of taxation system in Rusizi District?
3. What is the level of tax evasion in Rusizi District?

4. What is the significant relationship between taxation system and tax evasion in Rusizi District?

Null Hypotheses

There is no significant relationship between taxation system and tax evasion in Rusizi District

Scope

Geographical Scope

The study was conducted in five selected sectors of Rusizi district which was Kamembe sector, Gihundwe sector, Mururu sector, Bugarama sector and Muganza sector and tax offices in Rusizi district. Targeted group were individual and companies unregistered and registered.

Content Scope

The study intends to examine the levels of tax evasion in the area, the strengths and weaknesses of these aspects, relationship between tax evasion, taxation system and taxation skills of the business tax payers in Rusizi District, causes of tax evasion among Rusizi Business taxpayers, cause and effect relationship between the independent variables (taxation system) and dependent variable (tax evasion).

Time scope

This research covered the Rwandan taxation year period from March 2010 to March 2012.

Theoretical Scope

The Systems Theory by Bordinon (1993) which makes an interesting attempt to account for non-self-motivated decisions in tax evasion. He develops a compliance model in which taxpayers are guided by suitably defined 'Kantian principles', which

determine the amount that each taxpayer considers fair to pay. Under this assumption, 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.

Significance of the Study

The following disciplines will benefit from the findings of the study.

The **Tax offices of** Rusizi district will recognize the roles they have to play in tax collection and what they can do in preventing tax evasion

The **Rwanda Revenue Authority, Rusizi Branch** will aim at achieving the zero tax evasion in the region, hence increasing tax government income for better development of the country.

The **Tax policy makers and planners** will equitably be able to adjust policies related to taxation where necessary to facilitate tax collectors and tax payers to reduce tax evasion. The findings of the study will shed light to the policy makers and give the provision on the taxation system with the aim on changing or taking more action on taxation system in Rwanda

The **Ministry of Finance Economic and Planning** will use the findings as empirical information to monitor taxation in the country.

The **future researchers** will utilize the findings of this study to embark on a related study.

Operational Definitions of Key Terms

For the purpose of this study, the following terms are defined as they are used in the study:

Demographic characteristics of the respondents are attributes looked for in this study in terms of gender, age, qualifications in business discipline, number of years of experience in doing business.

Taxation system refers to the ways established by Rwandan government to collect taxes among business companies and other organisation which are entitled to pay taxes due to the government for their businesses

Tax evasion is the general term for efforts by individuals, corporations, trusts and other entities to evade taxes by illegal means. Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability, and includes, in particular, dishonest tax reporting (such as declaring less income, profits or gains than actually earned; or overstating deductions).

Tax Avoidance is behavior by the taxpayer that is aimed at reducing tax liability, but that is found to be legally ineffective (perhaps because of an anti-abuse doctrine or by construction of tax law) although it does not constitute a criminal offence. Is the legal utilization of the tax regime to one's own advantage, to reduce the amount of tax that is payable by means that are within the law. The term **tax mitigation** is a synonym for tax avoidance. Its original use was by tax advisors as an alternative to the pejorative term tax avoidance.

Tax fraud: tax fraud is a form of deliberate evasion of tax which is generally punishable by law. The term 'tax fraud' includes situations in which deliberately false statements are submitted, fake documents are produced, etc. Sanctions may include civil or criminal penalties.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Opinions, Ideas from Authors/ Experts

Taxation

Taxation is defined as the process or means by which the sovereign, through its law-making body, raises income to defray the necessary expenses of government. Expressed in another way, it is a method of apportioning the cost of government among those who in some measure are privileged to enjoy its benefits and must, therefore, bear its burdens. (Michael, 2006)

Ross (2007) explains that taxation is the power vested in the legislature to impose burdens or charges upon persons and property for the purpose of raising revenue for public purposes. (Ross, 2007)

The nature of the state power to tax is two-fold. It is both an inherent power and a legislative power. It is inherent in nature being an attribute of sovereignty. It has been argued that it is literally impossible for the state to run its affairs without taxes. Its existence and operations are dependent primarily from the revenues and charges imposed from various sources. It is a legislative power because it involves promulgation and implementation of rules. Taxation is a set of rules, how much is the tax to be paid, who pays the tax to whom and when it should be paid (Cobham, 2007).

Government financial operations are well-nigh impossible without taxation. Apart from this, taxation can be a powerful means in order to achieve the goals of social progress and the objectives of economic development. It serves as a device to encourage the growth certain activities by way of giving exemptions, discourage use of certain products by way of imposing heavier charges like those sin taxes which are imposed upon tobacco products, or strengthen anemic enterprises, also by way of tax exemptions. Local industries may be protected through taxation by imposing high

customs duties to foreign goods. Moreover, taxation can also be used to reduce inequities or inequalities in wealth and income by progressively higher taxes as in the case of estate and income tax. (Li, 1991)

So based on the foregoing premises, it is clear that taxation is indeed the lifeblood of the state, without which the existence of the state will be put to jeopardy.

Tax on Income and Profit

Income tax

Many jurisdictions tax the income of individuals and business entities, including corporations. Generally the tax is imposed on net profits from business, net gains, and other income. Computation of income subject to tax may be determined under accounting principles used in the jurisdiction, which may be modified or replaced by tax law principles in the jurisdiction. The incidence of taxation varies by system, and some systems may be viewed as progressive or regressive. Rates of tax may vary or be constant (flat) by income level. Many systems allow individuals certain personal allowances and other non business reductions to taxable income (McCluskey *et al.* 2005).

Personal income tax is often collected on a pay-as-you-earn basis, with small corrections made soon after the end of the tax year. These corrections take one of two forms: payments to the government, for taxpayers who have not paid enough during the tax year; and tax refunds from the government for those who have overpaid. Income tax systems will often have deductions available that lessen the total tax liability by reducing total taxable income. They may allow losses from one type of income to be counted against another. For example, a loss on the stock market may be deducted against taxes paid on wages. Other tax systems may isolate the loss, such that business losses can only be deducted against business tax by carrying forward the loss to later tax years.

Capital gains tax

Most jurisdictions imposing an income tax treat capital gains as part of income subject to tax. Capital gain is generally gained on sale of capital assets, *i.e.*, those assets not held for sale in the ordinary course of business. Capital assets include personal assets in many jurisdictions. Some jurisdictions provide preferential rates of tax or only partial taxation for capital gains. Some jurisdictions impose different rates or levels of capital gains taxation based on the length of time the asset was held (Reinhart *et al.* 2008).

Corporate tax

Corporate tax refers to income, capital, net worth, or other taxes imposed on corporations. Rates of tax and the taxable base for corporations may differ from those for individuals or other taxable persons (Reinhart *et al.* 2008).

Social security contributions

Many countries provide publicly funded retirement or health care systems. In connection with these systems, the country typically requires employers and/or employees to make compulsory payments. These payments are often computed by reference to wages or earnings from self employment. Tax rates are generally fixed, but a different rate may be imposed on employers than on employees. Some systems provide an upper limit on earnings subject to the tax. A few systems provide that the tax is payable only on wages above a particular amount. Such upper or lower limits may apply for retirement but not health care components of the tax.

Taxes on payroll or workforce

Unemployment and similar taxes are often imposed on employers based on total payroll. These taxes may be imposed at both the country and sub-country levels.

Direct and Indirect taxes

Taxes are sometimes referred to as "direct taxes" or "indirect taxes". The meaning of these terms can vary in different contexts, which can sometimes lead to confusion. An economic definition, by Atkinson, states that "direct taxes may be adjusted to the individual characteristics of the taxpayer, whereas indirect taxes are levied on transactions irrespective of the circumstances of buyer or seller (Atkinson, 2000)". Income tax is "direct", and sales tax is "indirect". In law, the terms may have different meanings. In U.S. constitutional law, for instance, direct taxes refer to poll taxes and property taxes, which are based on simple existence or ownership. Indirect taxes are imposed on events, rights, privileges, and activities. Thus, a tax on the sale of property would be considered as an indirect tax, whereas the tax on simply owning the property itself would be a direct tax (Olmert, 1996).

Taxes on Goods and Services

Exercise taxes

Unlike an *ad valorem*, an excise is not a function of the value of the product being taxed. Excise taxes are based on the quantity, not the value, of product purchased. For example, tax levied on the following locally manufactured products: Beers, lemonades, cigarettes, wines, spirits and mineral water made in Rwanda and telephone communication supplied by telephone communication providers operating in Rwanda are liable to Consumption tax (Excise Duty) and a fuel excise (use tax) is often used to pay for public transportation, especially roads and bridges and for the protection of the environment (www.rra.gov.rw). A special form of hypothecation arises where an excise is used to compensate a party to a transaction for alleged uncontrollable abuse; for example, a blank media tax is a tax on recordable media such as CD-Rs, whose proceeds are typically allocated to copyright holders. Critics charge that such taxes blindly tax those who make legitimate and illegitimate usages of the products; for instance, a person or corporation using CD-R's for data archival should not have to subsidize the producers of popular music.

Excises (or exemptions from them) are also used to modify consumption patterns (social engineering. a high excise is used to discourage alcohol consumption, relative to other goods. This may be combined with hypothecation if the proceeds are then used to pay for the costs of treating illness caused by alcohol abuse. Similar taxes may exist on tobacco, pornography, etc., and they may be collectively referred to as "sin taxes". A carbon tax is a tax on the consumption of carbon-based non-renewable fuels, such as petrol, diesel-fuel, jet fuels, and natural gas. The object is to reduce the release of carbon into the atmosphere. In the United Kingdom, vehicle excise duty is an annual tax on vehicle ownership.

Value added taxes

Rwanda has legislated a value-added tax (VAT) with a standard rate of 18% on all taxable goods and services with the purpose of pursuing more growth-oriented priorities, including expenditures on public goods such as education, health, and infrastructure. in contrast, if a country's tax system is perceived as excessively burdensome or unfair, or if the citizenry perceives the state as being a poor steward of its revenues, informality may persist with fewer enterprises participating in tax system and fewer economic benefits will result.(www.doingbusiness.org/data/)

Value added taxes Refund in Rwanda

Tax refund is a result of having taxes withheld on earnings that amount to more than what a person owes in income taxes for a calendar year. There are times when a taxpayer pays more than what he/she is required to pay. When tax administration receives excess payment of taxes from any taxpayer, it cross checks the documents of the tax filed and verifies the cause of over payment, and the surplus amount discovered is what is referred to as tax refund (Ogara, 2011).

Evasion of customs duty

Smuggling

Smuggling is importation or exportation of foreign products through unauthorized route. Smuggling is resorted to for total evasion of leviable customs duties as well as for importation of contraband items. A smuggler does not have to pay any customs duty since the products are not routed through an authorized or notified Customs port and therefore, not subjected to declaration and payment of duties and taxes (Chowdhury, 2006)

Fraud

The doctrine describes tax fraud as a form of deliberate evasion of tax which is generally punishable by law. The term 'tax fraud' includes situations in which deliberately false statements are submitted, fake documents are produced, etc. Sanctions may include civil or criminal penalties (Barry, 1996).

Tax avoidance

The term tax avoidance is behavior by the taxpayer that is aimed at reducing tax liability, but that is found to be legally ineffective (perhaps because of an anti-abuse doctrine or by construction of tax law) although it does not constitute a criminal offence. Is the legal utilization of the tax regime to one's own advantage, to reduce the amount of tax that is payable by means that are within the law. The term **tax mitigation** is a synonym for tax avoidance. Its original use was by tax advisors as an alternative to the pejorative term tax avoidance. The term has also been used in the tax regulations of some jurisdictions to distinguish tax avoidance foreseen by the legislators from tax avoidance which exploits loopholes in the law. The United States Supreme Court has stated that "The legal right of an individual to decrease the amount of what would otherwise be his taxes or altogether avoid them, by means which the law permits, cannot be doubted" (Michael, 2002).

Evasion of value added tax (VAT)

Evasion of value added taxes resulted for the fact that taxpayers are not willing to contribute to the economic development of the country. Government of Rwanda is losing a lot of tax revenue because of smuggling in bordering regions such as Rusizi District, Rubavu District, Kibungo District, etc. and with many traders reportedly evading Value Added Tax (VAT), Rwanda Revenue Authority (RRA) has disclosed. According to the tax body, smuggling is done through a porous section of the border with the Democratic Republic of the Congo. Statistics from RRA show that VAT collection from Rubavu District slid to Rwf 170m in 2009, down from Rwf 203m in 2008, and increased slightly to Rwf197m in the year 2011.

“Under normal situations, VAT should increase as development increases but in Rubavu, Byumba and Rusizi Districts, VAT collection has reduced regardless of the economic development of these districts. While the decline in VAT collections in the region was largely blamed on illicit trade, some traders lack receipt books, and can hence not control and document their business activities making it hard for RRA to evaluate them. There is also a scenario where many traders use one receipt book on various occasions thus eluding VAT since we don't have the records (Ogara, 2011).

- **Tax Evasion and Economic Growth**

Although growth theory is a very active field of economic research, models explicitly taking into account the possibility of tax evasion are quite rare. Roubini (1995) develop the first model, where government reacts to evasion: in countries with tax evasion government increases seignior-age by repressing the financial sector and increasing inflation rates. This government policy tends to reduce the amount of services that the financial sector provides to the economy; therefore the results are lower growth rates. However, neither the evasion decision is endogenous nor is the interaction between government and the financial sector modeled.

Sengupta (1998) investigates an overlapping generation's model with identical individuals and no population growth. In particular, he investigates tax evasion in a differential income setup, with investment and wage income subject to different tax rates and different possibilities of evasion where individuals can misreport investment income but not wage income.

He shows that alterations in the audit and penalty rates affect individual's saving decisions depending on assumptions on preferences. He assumes that only the return to savings might be underreported.

Ho (2002) develops a political economy model, where individuals differ in their skill of earning and concealing income. By taking into account the possibility of tax evasion they obtain a result contrary to Persson and Tabellini (1994). They show that the higher the tax rate the higher the distortionary affects but also the *lower* the benefit from redistribution. As its costs are higher the equilibrium redistribution will be lower and leads to a lower rate of economic growth. This is the first model, where economic policy is derived as a political equilibrium in a model with tax evasion. (Christophe 2004).

Theoretical Perspectives

When dealing with tax issues and, particularly, with the application of tax principles, the matter of identifying or setting the level of desired revenue to be collected by the tax system becomes of great importance (Buffalo, 2006). The tax revenue and its usage through government spending is an integral part of the workings of modern society; some expenditure, such as those associated with maintaining a military force or paving public roads, are essential to the orderly operation of the state and can be viewed as indispensable. The appropriateness and extent of other government expenditures, including health care, unemployment benefits, and education, however, remains a hotly debated matter in academia as well as among the public and tax analysts.

Human life is organized in various more or less abstract collectives, from families, clubs, work organizations, and communities to nations and supranational associations. These collectives have their own goals, agendas, and policies. Their realization, however, depends on contributions from and cooperation between its members. Rules and laws may explicitly prescribe such contributions and cooperation, but they are ineffectual if not obeyed. Noncompliance jeopardizes the collective project and, at least from the point of view of the collective, can be utterly destructive. A prime example is noncompliance in the area of taxation (Andreoni & Feinstein, 1998). A tax system is meant to provide the revenue necessary for pursuing collective goals like social security, economic prosperity and redistribution of wealth, internal and national safety, and cultural life. For instance, for the year 1992, the U.S. Internal Revenue Service estimated a "gross individual income tax gap", that is, the difference between individual income taxes owed and taxes paid voluntarily and on time, of \$93 to \$95 billion (Internal Revenue Service, 1997). This translates into an individual noncompliance rate of 17 percent whereas 83 percent of taxes owed were paid voluntarily and on time (Michael, 2002).

Researchers usually distinguish between tax noncompliance, tax evasion, and tax avoidance. While tax noncompliance includes intended as well as unintended failures to meet tax obligations, for instance, due to misinformation, misunderstanding, or calculation errors, the present research deals only with self-reported intentional behaviors. Tax evasion refers to such deliberate criminal non-fulfillment of tax liabilities. In contrast, tax avoidance refers to deliberate acts of reducing one's taxes by legal means (Hessing *et al.*, 1988).

However, the distinction is not always clear because tax laws are not always precise. Moreover, when taxpayers try to find loopholes with the intention to pay less tax, even if technically legal, their actions may be against the spirit of the law and in this sense considered noncompliant (James *et al.*, 2001). The present research will deal with both evasion and avoidance and, based on the premise that either is unfavorable to the tax-

system and uncooperative towards the collective, subsume both under the concept of tax noncompliance. Its primary form is of course tax evasion.

However, even types of tax evasion may be further differentiated, not only because different types may be available to different groups of taxpayers, but also because these types could have different qualities and involve different processes. Interventions to increase compliance would then have to be specifically addressed at each of them (Kidder & McEwen, 1989).

While some acts of evasion involve an unlawful commission (a false statement on deductions), others may involve an omission (not reporting some cash income); the latter could be considered less serious⁴ (Christensen & Hite, 1997). In addition to this, perceptions of lawfulness and legitimacy can diverge (objective vs. subjective justice). While people may find some unlawful acts of evasion illegitimate according to their concept of right and wrong, they may consider some laws to be wrong and regard respective acts of evasion, even though unlawful, as morally justified. Furthermore, some acts of evasion may be clearly illegal whereas others may be borderline cases and their illegality unclear (certain tax minimization strategies). To test for the generality or specificity of underlying processes, the present research used a variety of measures of tax noncompliance, from underreporting of various forms of income, to exaggerations of deduction and rebate claims, and the pursuit of tax minimization strategies.

Related Studies

Several studies were related to this study and some researchers gave their opinions on tax evasion in different countries. One empirical study on the ethics of tax evasion was done by Nylén (1998), who did a survey soliciting the views of Swedish chief executive officers (CEOs). A study by Reckers (1994) presented participants with a case study and asked them whether they would be willing to evade taxes. Englebrecht *et al.* (1998) did

a study involving 199 subjects who replied to 29 ethical orientation questions, some of which had to do with tax evasion.

Chen (2003) investigates an endogenous growth model in continuous-time with a Cobb-Douglas production function with public capital financed by an income tax which can be evaded. He investigates the optimum decision of saving and evasion in an environment without uncertainty assuming that individuals hold assets of enough firms so that auditing for a fraction of income is certain by the law or large numbers. Government optimizes the tax rate, auditing probability and fine rate given the consumer's evasion decision. In general these policies have ambiguous effects, but for realistic parameter constellations he finds that growth declines with tax evasion.

Not many empirical studies have been done on the ethics of tax evasion from a philosophical perspective.

Although many studies have been done on tax compliance, very few have examined compliance, or rather noncompliance, primarily from the perspective of ethics. Most studies on tax evasion look at the issue from a public finance or economics perspective, although ethical issues may be mentioned briefly, in passing. The most comprehensive twentieth century work on the ethics of tax evasion was a doctoral thesis written by Martin (1944), titled *The Moral Obligation of Paying Just Taxes*. This thesis reviewed the theological and philosophical debate that had been going on, mostly within the Catholic Church, over the previous 500 years. Some of the debate took place in the Latin language. Crowe introduced this debate to an English language readership.

A more recent doctoral dissertation on the topic was written by Torgler (2003), who discussed tax evasion from the perspective of public finance but also touched on some psychological and philosophical aspects of the issue. Alfonso Morales (1998) examined the views of Mexican immigrant street vendors and found that their loyalty to their families exceeded their loyalty to the government.

Evasion can take place in a number of ways. Individuals may choose to underreport their true income. They may also overstate adjustments in moving from Total Income to Adjusted Gross Income (AGI), or claim excessive deductions from AGI when computing taxable income. Kolm (1973) stated that some degree of tax evasion was expected and tolerated. The author (Kolm) estimated that one-third of the French income tax base fails to be reported to the revenue authorities.

There have been a few studies that focus on tax evasion in a particular country. Ethics are sometimes discussed but, more often than not, the focus of the discussion is on government corruption and the reasons why the citizenry does not feel any moral duty to pay taxes to such a government. A study of tax evasion in Armenia (McGee, 1999) found the two main reasons for evasion to be the lack of a mechanism in place to collect taxes and the widespread opinion that the government does not deserve a portion of a worker's income (Robert, 2006)

CHAPTER THREE

METHODOLOGY

Research Design

The study has used descriptive correlation research design. Descriptive studies are non-experimental researches that describe the characteristics of a particular individual, or of a group. Both quantitative and qualitative methodologies have been used to present and interpret data. The sample of business owners, companies and tax officers have been selected from the population and qualitative and quantitative information have been collected

Research Population

The target population included a total of 662 individuals; in this total of individuals include (business community, corporate staff (Finance and accounting department) and Rwanda Revenue staff from Rusizi branches. The administrative staffs from Rwanda Revenue from the branches offices have been involved because it is the controlling body of the Revenue authority who keep an eye and control on the implementation of taxation policies.

Sample Size

In view of the nature of the target population where the number for both business individuals and companies and tax collectors staff are many, a sample size taken from the target population was 249. Table 1 below shows the respondents of the study following categories: individual, companies and tax officers. The Slovene's formula is used to determine the minimum sample size.

$$n = \frac{N}{1 + N \alpha^2}$$

Table 1: Respondents of the Study

Sectors	Total Target Population	Sample size
	Individuals	Individuals
Kamembe	280	105
Gihundwe	132	50
Mururu	100	38
Muganza	70	26
Bugarama	80	30
Total	662	249

Source: Rwanda Development Board (RDB)-Rusizi office Branch

Individuals: this includes business community, corporate staff (Finance and accounting department) and Tax officers of Rusizi District

Sampling Procedures

The purposive sampling was utilized to select the respondents based on these criteria:

1. Male or female respondents individual business owners who runs their businesses in one of these five sectors in Rusizi district
2. Registered Business companies which operate in the area and
3. An administrators of the Rwanda Revenue braches from Rusizi district

From the list of qualified respondents chosen based on the inclusion criteria, the systematic random sampling has been used to finally select the respondents with consideration to the computed minimum sample size.

Research Instruments

The research tools that were utilized in this study include the following: (1) face sheet to gather data on the respondents' demographic characteristics (gender, age,

qualifications under the business skill, qualification other than business and number of years doing business); (2) researcher devised questionnaires to determine the extent of tax evasion, causes of tax evasion and relationship between tax evasion and taxation system. The response modes and scoring are as follows: strongly agree (4); agree (3); disagree (2); strongly disagree (1).

Validity and Reliability of the Instruments

To ensure the validity and reliability of the instrument, the research employed the expert judgment method. After constructing the questionnaire, the researcher contacted experts in the study area to go through it to ensure that it measured what it was designed to measure and necessary adjustments were made after consultation and this ensured that the instrument was clear, relevant, specific and logically arranged. Secondly, a pre-test was conducted in order to test and improve on the reliability of the questionnaire. Secondly, a content validity index (CVI) of 0.97 was obtained using the formula:

$$\text{CVI} = \frac{\text{The number of relevant questions}}{\text{The total number of questions}}$$

Calculations are indicated in the appendix (IV). CVI which was greater than 0.70 thereby declaring the instrument valid. Reliability of the instrument was tested using the cronbach's coefficient alpha (α) and the results obtained $\alpha = 0.81$ (SPSS results) which was greater than 0.70 indicating that the instrument was highly reliable.

Data Gathering Procedures

Before the administration of the questionnaires

1. An introduction letter was obtained from the College of Higher Degree and Research for the researcher to solicit approval to conduct the study from the concerned parties.

2. When approved, the researcher secured a list of the qualified respondents from the selected business people, Rwanda revenue Authority and select through systematic random sampling from this list to arrive at the minimum sample size.
3. The respondents were explained about the study and were requested to sign the Informed Consent Form.
4. Reproduce more than enough questionnaires for distribution.
5. Select research assistants who would assist in the data collection; brief and orient them in order to be consistent in administering the questionnaires.

During the administration of the questionnaires

1. The respondents were requested to answer completely and not to leave any part of the questionnaires unanswered.
2. The researcher and assistants have emphasized retrieval of the questionnaires within five days from the date of distribution.
3. On retrieval, all returned questionnaires were checked if all are answered.

After the administration of the questionnaires

The data gathered were collected, encoded into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).

Data Analysis

The frequency and percentage distribution was used to determine the demographic characteristics of the respondents.

The mean and standard deviations were applied for the levels of tax evasion in Rusizi District. An item analysis illustrated the strengths and weaknesses based on the indicators in terms of mean and rank. From these strengths and weaknesses, the recommendations were derived.

The following mean range was used to arrive at the mean of the individual indicators and interpretation:

A. For the degree of taxation System

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly agree	Very Satisfactory
2.51-3.25	Agree	Satisfactory
1.76-2.50	Disagree	Fair Satisfactory
1.00-1.75	Strongly Disagree	Unsatisfactory

3. For the level of tax evasion

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Fair
1.00-1.75	Strongly Disagree	Poor

A multiple correlation coefficient to test the hypothesis on correlation (Ho) at 0.05 level of significance using a Pearson correlation coefficient; the regression analysis R2 (coefficient of determination) was computed to determine the influence of the independent variables on the dependent variable.

ethical Considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study, the following activities will be implemented by the researcher:

- Seek permission to adopt the standardized questionnaire on school effectiveness through a written communication to the author.
- The respondents were coded instead of reflecting the names.
- Solicit permission through a written request to the concerned officials of the Rwanda revenue office included in the study.
- Request the respondents to sign in the *Informed Consent Form* (Appendix 3)

5. Acknowledge the authors quoted in this study and the author of the standardized instrument through citations and referencing.
6. Present the findings in a generalized manner.

Limitations of the Study

In view of the following threats to validity, the researcher claimed an allowable 5% margin of error at 0.05 level of significance. Measures are also indicated in order to minimize if not to eradicate the threats to the validity of the findings of this study.

1. *Extraneous variables* which were beyond the researcher's control such as respondents' honesty, personal biases and uncontrolled setting of the study.
2. *Instrumentation*: The research instruments on taxation system and tax evasion are not standardized. Therefore a validity and reliability test were done to produce a credible measurement of the research variables.
3. *Testing*: The use of research assistants can bring about inconsistency in the administration of the questionnaires in terms of time of administration, understanding of the items in the questionnaires and explanations given to the respondents. To minimize this threat, the research assistants were oriented and briefed on the procedures to be done in data collection.
4. *Attrition/Mortality*: Not all questionnaires maybe returned neither completely answered nor even retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal/withdrawal to participate. In anticipation to this, the researcher reserved more respondents by exceeding the minimum sample size. The respondents were also reminded not to leave any item in the questionnaires unanswered and were closely followed up as to the date of retrieval.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Profile of respondents

Respondents in this study were described in terms of gender category, age, educational background in business and non business field, religion, experience in running a business, and the status of the business/company. Their responses were summarized using frequencies and percentage distributions as indicated in table 2 below.

**Table 2:
Demographic Characteristics of the Respondents**

Category	Frequency	Percent
Gender		
Male	118	47.4
Female	131	52.6
Total	249	100
Age		
20 years - 30years	102	41.0
30 years - 40 years	144	57.8
40 years -50 years	3	1.2
Total	249	100
Qualification under business discipline		
Certificate (A2)	138	63.0
Diploma (A1)	55	25.1
Bachelors (A0)	19	8.7
Masters	7	3.2
No answer	30	0.0
Total	249	100
Qualification other than business discipline		
Certificate (A2)	64	25.7
Diploma (A1)	92	36.9
Bachelors (A0)	85	34.1
Masters	7	2.8
Total	249	100
Number of Years doing a business		
Less than one year	74	29.7
1year-2years	92	36.9
3years-4years	13	5.2
5 years-6years	31	12.4
7years and above	39	15.7
Total	249	100
Is your company/business registration		
Yes	120	48.2
No	39	15.7
Registration on progress	45	18.1
Not required	45	18.1
Total	249	100

The table 2 shows that the majority of the respondents are women (52.6%) and the education background of the respondents shows that those with education under business discipline are categorized according to highest percentages of the respondents as follow; with Certificate 63.0%; Diploma 25.1%; Bachelors 8.7%; and Masters 3.2%, while the qualification other than business discipline were ranked respectively as follow: Diploma 36.9%; Bachelors 34.1%; Certificate 25.7% and Masters 2.8%. The results show that people have 1-2 years 36.9% experience of doing business. The table above shows that 48.2% of the business is registered, 18.1% do not require registration, 17.7% the registration is on progress and 15.7% are not registered. This can prove that the evasion is being contributed by the unregistered business people in Rusizi District

The ages were three categories, 1st category is 20-30 years, 2nd is 3.-40 years and the last is 40-50years. The table above shows that the categorized age between Categorized between 30-40 (57.8%) are followed by those with age categorized between 20-30 (41.0%), and those with age categorized between 40-50 have 1.2%. This 54.1% shows the consideration of youth women in entrepreneurship business.

This shows that most of the respondents' business owners; staff for the companies and administration staff of the Rwanda Revenue, Rusizi Branch have completed at least secondary level. The conclusion can be drawn basing on the results indicated, there is an opportunity of offering a training to the business people since a high number of them are educated under business discipline. If the tax authority institution provide training or work shop to the people who are doing business, you have at least of one year in running a business in addition to their business skills knowledge acquired from the academic school, it will ease the tasks and contribute in simplifying the taxation system in the District, and this could extend up other Districts in the country.

The fact that 42% of the business people/companies are either on progress of registration, or not registered and not require the registration, this implies that both the administration of tax authorities and local government are required in to increase and

change sensitization strategy for the business people to register their business as this will contribute the economic growth of the District.

Determine the extent of Taxation System in Rusizi District

The independent variable in this research study was taxation system. One of the objectives was to determine the level of taxation system in the District. For coming up this objective, the respondents were asked to describe taxation system using Likert-type questionnaire design system for data collection where respondents would choose one of the respondents' mode as provided. The responses were analyzed using SPSS' summary statistics showing mean, interpretations and rank as indicated below.

Table 3
Taxation system favor business people to evade taxes

Category	Mean	Interpretation	Rank
Taxation system in Rusizi District			
Most of business owners hide their business income	3.53	Very Satisfactory	1
There is no tax calculation software available	3.48	Very Satisfactory	2
Individual business owners do not use their business account to reduce income	3.41	Very Satisfactory	3
Paying VAT in Rwanda is too difficult	3.41	Very Satisfactory	4
Business income has been over-reported and get difficult in being refunded	3.41	Very Satisfactory	5
Tax policies are not rigid.	3.36	Very Satisfactory	6
There are no sufficient staffs to follow up and check fraud	3.27	Satisfactory	7
Government allow people to do business without registration	3.18	Satisfactory	8
There is basically no simple mechanism set up to collect and pay taxes	3.08	Satisfactory	9
Tax officer's contribution	3.02	Satisfactory	10
High tax rate	3.02	Satisfactory	11
The implementers of tax policies are more corrupted.	3.01	Satisfactory	12
Taxation system is too complex.	2.90	Satisfactory	13
No fine for unregistered Business groups	2.76	Satisfactory	14
Because there is no common software to help taxpayers.	2.76	Satisfactory	15
There is no enough support from tax offices to clarify what should be done	2.61	Satisfactory	16
The system is not clear.	2.57	Satisfactory	17
Collected tax is not well spent by Government	2.55	Satisfactory	18
Any amount paid is accepted basing on any proof available	2.45	Fair satisfactory	19
The system is favourable to evade taxes	2.31	Fair satisfactory	20
Average mean	3.00	Satisfactory	

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly agree	Very Satisfactory
2.51-3.25	Agree	Satisfactory
1.76-2.50	Disagree	Fair Satisfactory
1.00-1.75	Strongly Disagree	Unsatisfactory

The results in table 3 above indicates that taxation system favor business people to evade taxes is satisfactory with a mean range of 3.00, the results indicate that some of the aspects were rated very satisfactory between the mean range (3.53-3.36), still other aspects indicated, were rated satisfactory between the mean range (3.27-2.55), and other aspects were rated fair satisfactory between the range mean (2.45-2.31).

It was found that taxation system contribute to the evasion of taxes in the District through, the results indicated that most of the individual business owners do not use their business account as the ways of reducing their income and profit which resulted from paying less taxes in return it contribute to the loss of tax income, this was rated at the range mean of 3.53. The system or way of paying VAT in Rwanda should be revised as the system is too difficult and too complex comparing to the user of the system. These facts contribute to evade or avoid taxes. There is basically no simple mechanism set up to collect and pay taxes, some of the problems can be answered through the implementation of sophisticated tax software for business to facilitate tax payment. Basing on the average mean indicated in the table above, tax authorities have responsibility and obligation of merging the taxation system and the users of the system

Recovering Value Added Tax

Table 4
The business does not recover the VAT

Category	Mean	Interpretation	Rank
The cause of not recovering VAT			
The tax authorities will not refund VAT in case a payment mistake is made	3.22	Satisfactory	1
The costs of recovery are too high	2.85	Satisfactory	2
The accounting system does not identify the VAT incurred abroad	2.83	Satisfactory	3
When engaging in VAT payment, you have to pay even if you are in deficit	2.76	Satisfactory	4
Average mean	2.92	Satisfactory	5
Overall Average	2.95	Satisfactory	6

The results in the table 4 above indicate that business companies/owners do not recover the VAT and this was rated satisfactory at the average mean range of 2.92. These indicated that the aspects under this **determinant** were rated satisfactory between the mean ranges of (3.22-2.76). The results show that the satisfactory rated aspects means that there is not enough support from the tax authorities when a payment of VAT mistake is made unintentionally and this was rated at the high mean of 3.22 and the lowest ranked in paying VAT even if the business is in deficit at the mean range of 2.76

There is a need of facilitating the business people and investors especially from within the country to recover or be refunded easily when a payment mistake is made. This will play as an important trick in attracting business people to be registered for taxes and have willingness of paying collected VAT since there will be aware of refund when a mistake is made. It was shown and concluded that the extent of taxation system in Rusizi District need improvement as it was rated as Satisfactory on the overall mean range of 2.95

Determine the extent of tax evasion in Rusizi District

The dependent variable in this research study was taxation evasion in Rusizi District. One of the objectives was to determine the level of tax evasion in the District. For coming up this objective, the respondents were asked to describe tax evasion using Likert-type questionnaire design system where respondents were required to respond to all questions designed following the respondents mode as provided. The responses were analyzed using SPSS' summary statistics showing mean for every question and interpreting the questions using interpretation model and rank them as indicated below.

Table 5
Tax evasion's facts

Category	Mean	Interpretation	Rank
Tax evasion is related to the fact			
Big numbers of business people are not registered	3.67	Very High	1
People who do business have limited skills in business laws	3.56	Very High	2
Business people forge receipts and other business documents	3.54	Very High	3
Tax officers are more corrupt	3.51	Very High	4
People who do business do not use consultants	3.41	Very High	5
People who do business have difficulties in proper book keeping	3.41	Very High	6
People who do business ignore taxes	2.97	High	7
Average mean	3.44	Very High	8

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Fair
1.00-1.75	Strongly Disagree	Poor

The results indicated in table 5 above showed that the tax evasion related to different fact that big numbers of business people are not registered, this was rated as very high

with the mean range of 3.44, while on business people have limited skills rated at 3.56, forge receipts and other business documents rated at 3.54, Tax officers corruption rated at 3.51, not using consultants and having difficulties in proper book keeping rated at 3.41 each and ignoring taxes at 2.97. The facts which caused tax evasion was then rated at the average mean range of 3.44

Different factors contribute to the tax evasion, therefore increasing tax law skills, book keeping method to the business people are crucial factors which have to be focused of as well as creating a tax consultant advice office at each tax revenue offices would reduce some of the factors which involve taxpayers to evade taxes.

Cause of tax evasion in Rusizi District

The responses were analyzed using SPSS' summary statistics showing mean for every question and interpreting the questions using interpretation model and rank them as indicated below

Table 6
Cause of tax evasion in Rusizi District

Category	Mean	Interpretation	Rank
Cause of tax evasion			
Tax evasion is fair if a large portion of the money collected is wasted.	3.54	Very High	1
Low level of tax education	3.42	Very High	2
Tax evasion is not unethical if tax rates are too high.	3.38	Very High	3
Taxation system	3.37	Very High	4
No sufficient staff to follow up and check fraud	3.37	Very High	5
Tax evasion is not ethical if the tax system is unfair.	3.35	Very High	6
A strict regulation on importation cause people to evade taxes	3.29	Very High	7
Many local businesses do not "hire" employees	3.20	High	8
Tax evasion is not unethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	3.20	High	9
Business is eligible to pay VAT	2.88	High	11
Your business or Company pays VAT	2.68	High	12
It is very expensive to register a business	2.84	High	13
People are not will willing to pay taxes	2.80	High	14
Average mean	3.17	High	

The results indicated in the table 6 above show that the cause of tax evasion in Rusizi District was high with the range mean of 3.17. The results indicated that some of the aspects were rated very high between the mean ranges (3.54-3.29), the other aspects indicated were rated High between the mean range (3.20-2.68).

Basing on the results indicated in the table above, it is shown that some of the causes which influences tax evasion in the Districts are ethically related, this has a relationship with the use of collected taxes, it is very discouraged when local authorities are not using the funds properly, and this affect the community to be in un developed area which lack good infrastructure and sufficient facilities. Rusizi district is among one of the districts which have different sources of collecting income, but is among district with community who smuggle in business. There is implication that low tax education has influence on tax evasion in Rusizi District because people do not know when to hire and use the consultants as well as approaching tax officers for any assistance.

Paying VAT in Rwanda

This indicator was used to explore in detail the results of independent variable of the level of tax evasion in Rusizi District. The responses were analyzed using SPSS' summary statistics showing mean for every question and interpreting the questions using interpretation model and rank them as indicated below

Table 7
Paying VAT in Rwanda

Category	Mean	Interpretation	Rank
Paying VAT in Rwanda is not easy because			
It would need to register for VAT	3.41	Very High	1
The tax authorities make claiming refunds too difficult	3.23	High	2
There is no electronic submission procedures which is available	3.20	High	3
Difficulties in refunding process is the cause of not willing to pay the VAT	3.18	High	4
No refund procedures are particularly easy	3.15	High	5
When registered with VAT your bank accounts are always monitored	3.15	High	6
The amounts involved are too small	3.09	High	7
In your opinion, you pay too much on taxes	3.02	High	8
Actual repayments are quickly made	3.01	High	9
Communication with tax authorities is not easy	2.82	High	10
No Clear guidance from tax authorities is available	2.62	High	11
Have you ever been engaged in the undeclared sector	2.06	Fair	12
Average mean	2.89	High	
Overall Average	3.16	High	

The results in the table 7 indicated that paying VAT in Rwanda is not easy and this was rated high with the mean range of 2.89, the aspects under this determinants show that some were rated very high in the mean range of 3.41, other were rated high with the mean range from (3.23-2.62) and other were rated as fair in the mean range of 2.06

The findings of the dependent variable indicated that the respondents were high by the mean range of 3.16

The analysis identify a gap in paying VAT in Rwanda, there are different causes of tax evasion which are related to the existing system of paying VAT, the fact that tax officers make claiming refunds too difficult it reduces the willingness of taxpayers in forwarding clearing their taxes. Thus, electronic submission procedures should be made available and show an individual when there is an overpayment or not, this can help them to be able to claim their refunds when it happened. One of the barrier of performance is miscommunication therefore, Rwanda Revenue Authority has to

emphasis and strengthen the communication system between tax officers and tax payers, this will improve and set clear guidance from tax authorities

Relationship between the level of taxation system and tax evasion in Rusizi District

The last concern of the researcher carrying out this study was to establish whether there is a significant relationship between the level of taxation system and the level of tax evasion in Rusizi District. For which it was, hypothesized that the two variables are significantly not correlated. To test this null hypothesis, the researcher correlated the mean indices on both variables using Pearson's linear correlation Coefficient (PLCC). The summary of r-value of those variables is presented in table 8 below.

Table 8
Significant correlation between level of taxation system and tax evasion

Categories correlated	R-value	Sig	Interpretation	Decision on Ho
Taxation system Vs Tax evasion	0.512	0.000	Significant correlation	Rejected

After testing the null hypothesis, the PLCC results in Table 8, indicated that there is no significant correlation between taxation system and tax evasion in Rusizi District. Results indicated positive significant correlation between taxation system and tax evasion in Rusizi District ($r = 0.512$, $\text{sig.} = 0.000$). Basing on the results, the null hypothesis was rejected and a conclusion made that taxation system and tax evasion in Rusizi District are significantly not correlated since the results are significant at 0.05 level of significance. The decision on the null hypothesis was rejected

Table 9
Regression Analysis

Variables regressed	R²	F	Sig	Interpretation	Decision on Ho
Taxation system Vs Tax evasion	0.195	42.935	0.000	Significant effect	Rejected
Coefficients	Beta	T	Sig		
(Constant)		8.339	0.000	Significant effect	Rejected
Taxation System	0.442	6.553	0.000	Significant effect	Rejected

The regressed results in the table 9 above showed that 19.5% ($R^2=0.195$) of the dependent variable is explained by the independent variable. This means that taxation system has a significant effect on the tax evasion.

CHAPTER FIVE

FINDINGS, CONCLUSIONS, RECOMMENDATIONS

Summary of Findings concentrate on the objectives

The study intended to determine the demographic characteristics of the respondents as to: Gender, Age, Qualifications under and other than business discipline, number of years doing a business experience, number of business registered for tax. The results indicated that that a high number of business people in Rusizi District are women, and more of the respondents are aged between 30-40 years. A high number of business people had attended secondary school while a small number of the respondents have Masters Degree qualification. This implies that tax is evaded due to the fact that a high number of respondent have limited skills on taxation law and other related business regulation

In relation to determine the extent of taxation system in Rusizi District, the results stated that taxation system has a significant effect on the tax evasion; data were collected and analysed using statistical package of social sciences and found that high number of respondents rated the aspects highly at the overall range mean of **2.95**.

Determining the extent of tax evasion in Rusizi District, the results indicated that tax evasion has not been caused by the taxation system even though there is a significant effect of taxation system; the objective was achieved, collected data were analysed, interpreted and rated as high by the respondents.

The results indicated that the significant relationship between taxation system and tax evasion in Rusizi District level through statistical test of correlation of the independent and dependent variables was rejected. The null hypothesis was rejected at the sig. value of 0.000 which is less than and $r = 0.512$ since the results are significant at 0.05 level of significance.

Conclusions

The purpose of this study was to test the hypothesis relationship of the significant relationship between the taxation system and tax evasion in Rusizi District, Rwanda. Testing the null hypothesis, the PLCC results indicated that there is no significant correlation between taxation system and tax evasion in Rusizi District. Results indicated positive significant correlation between taxation system and tax evasion in Rusizi District, basing on the results, the null hypothesis was rejected

The existing information related to the theory to which the study was based, was validated according to Bordignon principles (1993) which makes an interest to attempt to account for non-self-motivated decisions in tax evasion. The study attempts to contribute to the taxation literature by comprehending the current experience of data collection from the business owners, company and RRA administration staff. Under this assumption, 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.

Based on the findings of the study, the foregoing analysis indicated that there is no significant relationship between these two variables. The results indicated positive significant correlation between taxation system and tax evasion in Rusizi District, the null hypothesis was rejected and a conclusion was made that taxation system and tax evasion in Rusizi District are significantly not correlated since the results are significant at 0.05 level of significance, hence the regression analysis showed that there is a significant effect of taxation system to the tax evasion in Rusizi District, Rwanda. Basing on the indicators of the correlation and regression, the study empirically supports the positive relationship between the level of taxation and tax evasion, in congruency with the taxation literature.

Recommendations

The researcher would recommend more research on this study of taxation system and tax evasion basing on the findings and the conclusions drawn from the study, further study should be conducted in order to discover in depth and find out new and detailed information on taxation system and tax evasion in Rusizi District, Rwanda. Most of business owners hide their business income in addition to this, there is no tax calculation software available and individual business owners do not use their business account as the means of reducing their profit, tax revenue authorities have to come up with a relative realistic intervention and strategies to respond and be able to solve or minimize tax evasion in Rusizi District, Rwanda.

Since big numbers of business people are not registered, the revenue institution is required to sensitize and mobilize business people in registering their business, using receipts and other business documents in a proper record manner; this will help to reduce the amount which is being evaded. People who do business have limited skills in business laws, in partnership with local government, the tax revenue authority need to organize and prepare a workshop for improving the taxpayers' skills in relation to the taxation system

In addition to this, RRA should add more staff to be more effective in tax collection and considering improving where there is weakness. Beside this there organization stated above should consider providing with tax calculation software which would help taxpayers to be able to calculate and know what they owe in taxes.

Areas for Further Research

The research does not and cannot guarantee that the study was completely exhausted. In any case, the scope of the study was limited in accordance with the space, and objectives. It is therefore, suggested that a national research covering the whole

country be undertaken. Also, prospective researchers and even students should be encouraged to research on the following areas:

1. Taxation Policy and Tax Evasion. A case study of Rusizi District-Rwanda.
2. Taxation ethics and Tax Evasion. A case study of Rusizi District-Rwanda.
3. Taxation System rate and taxable revenue. A case study of Rusizi District-Rwanda.

REFERENCES

- Adams, Charles 1998 Those Dirty Rotten TAXES, The Free Press, New York NY *tax journal* www.taxworld.org accessed on 18th February 2012 at 10am
- Adams, Charles, 1993, For Good and Evil: The Impact of Taxes on the Course of Civilization, Madison Books.
- Angelus of Clavasio. 1494. *Summa Angelica*, as cited in Martin T. Crowe, *The Moral Obligation of Paying Just Taxes*, The Catholic University of America Studies in Sacred Theology No. 84, 1944 at p. 29.
- Avinash K. Dixit and Robert S. Pindyck. *Investment Under Uncertainty*. Princeton University Press, Princeton, 1994.
- Barry L., *International Tax Glossary*, IBFD Publications, 3rd Ed, 1996, P. 159
- Been-Lon Chen. Tax evasion in a model of endogenous growth. *Review of Economic Dynamics*, 6:381{403, 2003.
- Bernt Oksendal. *Stochastic Differential Equations*. Universitext. Springer, New York and others, 5th edition, 1998.
- Buffalo, Legal Studies Research Paper Series, From Deontology to Practical Application: The Vision of a Good Society and the Tax System Sagit Leviner, Paper No. 2005 – 002
- By contrast, some countries, such as New Zealand, finance the programs through other taxes. <http://www.ssa.gov/policy/goc/progdesc/ssptw/2010-2011/asia/newzealand.html>, accessed on 23rd February, 2012 at 11am
- Chowdhury, F. L. *Evasion of Customs Duty in Bangladesh*, 2006: Desh Prokashon Dhaka
- Christensen, A., & Hite, P. (1997). A study of the effect of taxpayer risk perceptions on ambiguous compliance decisions. *The Journal of the American Tax Association*, 19, 1-18
- Christoph Eichhorn, 2004. The Implications of Tax Evasion for Economic Growth, the journal on taxation, Last Revision: July 9, 2004 pdf
- Christopher Bajada and Friedrich Schneider. The size and development of the shadow economies in the Asia-Pacific, 2003.

- David Cass. Optimum growth in an aggregative model of capital accumulation. *Review of Economic Studies*, 32:233{240, 1965. *Economic Review*, 84:600{621, 1994.
- Frank Ramsey. A mathematical theory of saving. *Economic Journal*, 38:543. Sergio M. Rebelo. Long-run policy analysis and long-run growth. *Journal of Political Economy*, 99:500, October 2002.
- Internal Revenue Service. (1997). The individual income tax gap and accounts receivable. Retrieved September 13, 2001, from <http://www.unclefed.com/Tax-News/1997/Nrfs97-14.html>
- IRS. Federal tax compliance research: Individual income tax estimates for 1985, 1988, and 1992. Technical Report 1415, Internal Revenue Service, 1996.
- James, S. et al. (2001). Developing a tax compliance strategy for revenue services. *Bulletin for International Fiscal Documentation*, 55, 158-164.
- Jordi Caballe and Judith Panades. Tax evasion and economic growth. *Public Finance/Finances Publiques*, 52:318, 1997. *Journal of Political Economy*, 1990.
- Kenneth J. Arrow. *Essays in the Theory of Risk-Bearing*. North-Holland, Amsterdam and London, 1970.
- Kidder, R., & McEwen, C. (1989). Taxpaying behavior in social context: A tentative typology of tax compliance and noncompliance. In J. Roth & J. Scholz (Eds.), *Taxpayer compliance, Vol. 2: Social science perspectives* (pp. 47-75). Philadelphia: University of Pennsylvania Press.
- Luigi Alberto Franzoni, (1999) tax evasion and tax compliance, *University of Bologna, Italy*
- Michael G. Allingham and Agnar Sandmo. Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 1:323{338, 1972.
- Michael Wenzel, 2002 The Impact of Outcome Orientation and Justice Concerns on Tax Compliance: The Role of Taxpayers' Identity. Australian National University, Canberra, Australia. *Journal of Applied Psychology*, 87, 629-645.
- Morales, Alfonso 1998. "Income Tax Compliance and Alternative Views of Ethics and Human Nature," *Journal of Accounting, Ethics & Public Policy Research*, 1998, p. 258.

- Nicholas, T, *Taxation in Kenya (Principles and Practices)*, 5th Revised Edition, 2003,
- Nouriel Roubini and Xavier Sala-i-Martin. A growth model of inflation, tax evasion, and financial repression. *Journal of Monetary Economics*, 35:275
- P. Célestin BUMBAKARE, Local Taxes as Impediment for SME Formalization: What is being done, International Tax Dialogue, Rwanda Revenue Authority, APRIL 2009
- Partha Sengupta. Tax evasion and intertemporal choice. *Atlantic Economic Journal*, 26:420
- Paul M. Romer. Increasing returns and long-run growth. *Journal of Political Economy*, 94:1002, 1986.
- Rehnquist, William H. 1992 Grand Inquests: The Historic Impeachments of Justice Samuel Chase and President Andrew Johnson. William Morrow & Company, Inc. New York, NY.
- Robert J. Barro and Xavier Sala-i-Martin. *Economic Growth and Government spending in a simple model of endogenous growth* McGraw-Hill, New
- Robert W. McGee, 2006. The ethics of tax evasion: A survey of international business academics Barry University. Presented at the 60th International Atlantic Economic Conference, New York, February 12, 2006
- Spiro, Peter S. (2005), "Tax Policy and the Underground Economy," in Christopher Bajada and Friedrich Schneider, eds., *Size, Causes and Consequences of the Underground Economy* (Ash gate Publishing)
- http://en.wikipedia.org/wiki/Political_corruption, accessed on 23rd February, 2012 at 10am
- <http://www.doingbusiness.org/data/exploreeconomies/rwanda/paying-taxes/> accessed on 5th June, 2012 at 9am
- Nelson Ogara, 2011, <http://www.newtimes.co.rw/news/index.php?i=14615&a=40844>, accessed on 23th May 2012 at 4pm
- http://www.rra.gov.rw/rra_article235.html, retrieved on 5th July 2012 at 4pm
- India Social Security overview.<http://labour.nic.in/ss/overview.html>, accessed on 23rd February, 2012 at 11am

APPENDIX 1 A

TRANSMITTAL LETTER



**KAMPALA
INTERNATIONAL
UNIVERSITY**

Ggaba Road - Kansanga
P.O. Box 20000, Kampala, Uganda
Tel: +256 - 414 - 266813 / +256 - 772 - 322563
Fax: +256 - 414 - 501 974
E-mail: admin@kiu.ac.ug
Website: www.kiu.ac.ug

OFFICE OF THE HEAD OF DEPARTMENT, EDUCATION, OPEN AND DISTANCE LEARNING
COLLEGE OF HIGHER DEGREES AND RE RESEARCH (CHDR)

Date: 26th June. 2012

**RE: REQUEST FOR GASORE NKUNDA MBA/33257/102/DF
TO CONDUCT RESEARCH IN YOUR ORGANISATION**

The above mentioned is a bonafide student of Kampala International University pursuing a Masters of Arts in Business Administration (Finance and Banking)

He is currently conducting a research entitled **"Taxation System and Tax Evasion in Rusizi District, Rwanda"**.

Your Organization has been identified as a valuable source of information pertaining to his research project. The purpose of this letter is to request you to avail him with the pertinent information he may need.

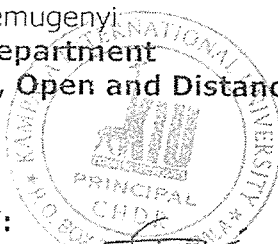
Any information shared with him from your organization shall be treated with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours truly,



Dr Fred Ssemugenyi
Head of Department
Education, Open and Distance Learning (CHDR)



NOTED BY:

Dr Sofia Sol T. Gaité
Principal-CHDR

APPENDIX 1B

TRANSMITTAL LETTER FOR THE RESPONDENTS

Dear Sir/ Madam,

Greetings!

I am a Master of Art in Business Administration candidate of Kampala International University. Part of the requirements for the award is a Thesis. My study is entitled, **"Taxation System and Tax Evasion in Rusizi District, Rwanda."** Within this context, may I request you to participate in this study by answering the questionnaires? Kindly do not leave any option unanswered. Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

May I retrieve the questionnaire within five days (4)?

Thank you very much in advance.

Yours faithfully,

Mr. GASORE Nkunda

**APPENDIX II
CLEARANCE FROM ETHICS COMMITTEE**

Date_____

Candidate's Data

Name_____GASORE Nkunda_____

Reg.# _____MBA/33257/102/DF_____

Course _____Master of Business Administration (Finance and Banking)_____

Title of Study _____ **Taxation System and Tax Evasion in Rusizi District, Rwanda**

Ethical Review Checklist

The study reviewed considered the following:

- ___ Physical Safety of Human Subjects
- ___ Psychological Safety
- ___ Emotional Security
- ___ Privacy
- ___ Written Request for Author of Standardized Instrument
- ___ Coding of Questionnaires/Anonymity/Confidentiality
- ___ Permission to Conduct the Study
- ___ Informed Consent
- ___ Citations/Authors Recognized

Results of Ethical Review

- ___ Approved
- ___ Conditional (to provide the Ethics Committee with corrections)
- ___ Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson _____

Members' _____

APPENDIX III INFORMED CONSENT

I am giving my consent to be part of the research study of Mr. GASORE Nkunda that will focus on emotional intelligence and leadership styles.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials: _____

Date _____

APPENDIX IV A

PART I. FACE SHEET: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Direction: On the space provided before or after each option, indicate your best choice

by ticking mode (✓):

Gender (Please Tick):

_____ (1) Male _____ (2) Female _____ (3) Age

Qualifications Under business Discipline (Please Specify):

1) Certificate (A2) _____

2) Diploma (A1) _____

3) Bachelors (A0) _____

4) Masters _____

5) Ph.D. _____

Other qualifications other than education discipline _____

Qualifications other than business Discipline (Please specify):

1) Certificate (A2) _____

2) Diploma (A1) _____

3) Bachelors (A0) _____

4) Masters _____

5) Ph.D. _____

Other qualifications other than education discipline _____

Number of Years doing a business (Please Tick):

_____ (1) less than/Below one year

_____ (2) 1- 2yrs

_____ (3) 3-4yrs

_____ (4) 5-6yrs

_____ (5) 7 years and above

Is your company or business registered

_____ (1) Yes

_____ (2) No

_____ (3) Registration on progress

_____ (4) not required

APPENDIX IV B

PART II. QUESTIONNAIRE TO DETERMINE THE LEVEL OF TAXATION SYSTEM IN RUSIZI DISTRICT

Direction: On the space provided before each option, indicate your best choice by using the rating system below:

Response Mode	Rating	Description
Strongly Agree	(4)	You agree with no doubt at all
Agree	(3)	You agree with some doubt
Disagree	(2)	You disagree with some doubt
Strongly disagree	(1)	You disagree with no doubt at all

The taxation system in Rusizi District

- _____ 1. There are no sufficient staffs to follow up and check fraud
- _____ 2. There is no tax calculation software available
- _____ 3. Tax officer's contribution
- _____ 4. High tax rate
- _____ 5. Collected tax is not well spent by Government
- _____ 6. No fine for unregistered Business groups
- _____ 7. No tax calculation software available
- _____ 8. There is basically no simple mechanism set up to collect and pay taxes
- _____ 9. There is no enough support from tax offices to clarify what should be done
- _____ 10. The system is favourable to evade taxes
- _____ 11. Any amount paid is accepted basing on any proof available
- _____ 12. The system is not clear.
- _____ 13. Because there is no common software to help taxpayers.
- _____ 14. Taxation system is too complex.
- _____ 15. Tax board accepted any amount due without proof documents.
- _____ 16. The implementers of tax policies are more corrupted.
- _____ 17. Tax policies are not rigid.
- _____ 18. Government allow people to do business without registration

- _____ 19. Most of business owners hide their business income
- _____ 20. Individual business owners do not use their business account to reduce income
- _____ 21. Paying VAT in Rwanda is too difficult
- _____ 22. Business income has been over-reported and get difficult in being refunded

!3. The business does not recover the VAT because:

- _____ 23.1 The tax authorities will not refund VAT in case a payment mistake is made
- _____ 23.2 The costs of recovery are too high
- _____ 23.3 The accounting system does not identify the VAT incurred abroad
- _____ 23.4 When engaging in VAT payment, you have to pay even if you are in deficit

APPENDIX IV C

PART III. QUESTIONNAIRE TO DETERMINE THE LEVEL OF TAX EVASION IN RUSIZI DISTRICT

Directions: Please write your rating on the space before each option which corresponds to your best choice in terms of **tax evasion in Rusizi District**. Kindly use the following numbers to rate your responses. Use 4: for Strongly Agree; 3: for Agree; 2: for Strongly Disagree; and 1: for Disagree;

Response Mode	Rating	Description
Strongly Agree	(4)	You agree with no doubt at all
Agree	(3)	You agree with some doubt
Disagree	(2)	You disagree with some doubt
Strongly disagree	(1)	You disagree with no doubt at all

Tax evasion is related to the fact that:

- _____ 1. Big numbers of business people are not registered
- _____ 2. People who do business have limited skills in business laws
 - _____ 2.1 People who do business do not use consultants
 - _____ 2.2 People who do business have difficulties in proper book keeping
 - _____ 2.3 People who do business ignore taxes
- _____ 3. Tax officers are more corrupt
- _____ 4. Business people forge receipts and other business documents

Tax evasion is caused by:

- _____ 5. Low level of tax education
- _____ 6. Taxation system
- _____ 7. People are not will willing to pay taxes
- _____ 8. It is very expensive to register a business
- _____ 9. No sufficient staff to follow up and check fraud
- _____ 10. Many local businesses do not "hire" employees
- _____ 11. Tax evasion is not unethical if tax rates are too high.

_____ 12. Tax evasions is not unethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.

_____ 13. Tax evasion is not ethical if the tax system is unfair.

_____ 14. Tax evasion is fair if a large portion of the money collected is wasted.

_____ 15. A strict regulation on importation cause people to evade taxes

6. Business is eligible to pay VAT (Use numbers in bracket where it is appropriate)

Strongly Agree (4) _____; Agree (3)_____; Disagree (2)_____; Strongly disagree (1) _____

7. Your business or Company pays VAT

Strongly Agree (4) _____; Agree (3)_____; Disagree (2)_____; Strongly disagree (1) _____

8. Paying VAT in Rwanda in not easy because?

_____18.1 No refund procedures are particularly easy

_____18.2 No Clear guidance from tax authorities is available

_____18.3 Communication with tax authorities is not easy

_____18.4 Actual repayments are quickly made

_____18.5 There is no electronic submission procedures which is available

_____18.6 The tax authorities make claiming refunds too difficult

_____18.7 The amounts involved are too small

_____18.8 It would need to register for VAT

_____18.9 When registered with VAT your bank accounts are always monitored

_____18.10 Difficulties in refunding process is the cause of not willing to pay the VAT

Thank you very much for your help

APPENDIX V

Validity and Reliability of the Instruments

taxation systems	No of judges	No of items declared valid	CVI
There are no sufficient staffs to follow up and check fraud	3	3	1
There is no tax calculation software available	3	3	1
Tax officer's contribution	3	3	1
High tax rate	3	3	1
Collected tax is not well spent by Government	3	3	1
Too fine for unregistered Business groups	3	1	0.33
There is basically no simple mechanism set up to collect and pay taxes	3	3	1
There is no enough support from tax offices to clarify what should be done	3	3	1
The system is favourable to evade taxes	3	3	1
Any amount paid is accepted basing on any proof available	3	2	0.67
The system is not clear.	3	3	1
Because there is no common software to help taxpayers.	3	3	1
Taxation system is too complex.	3	3	1
Tax board accepted any amount due without proof documents.	3	3	1
The implementers of tax policies are more corrupted.	3	3	1
Tax policies are not rigid.	3	3	1
Government allow people to do business without registration	3	3	1
Most of business owners hide their business income	3	3	1
Individual business owners do not use their business account to reduce income	3	3	1
Paying VAT in Rwanda is too difficult	3	3	1
Business income has been over-reported and get difficult in being refunded	3	2	0.67
Average	3		0.93
Business not cover VAT			
The tax authorities will not refund VAT in case a payment mistake is made	3	3	1
The costs of recovery are too high	3	3	1
The accounting system does not identify the VAT incurred abroad	3	3	1
When engaging in VAT payment, you have to pay even if you are in deficit	3	3	1
Average			1
Overall average			0.96
Tax evasion is related to fact that			
Large numbers of business people are not registered	3	3	1
People who do business have limited skills in business laws	3	3	1
People who do business do not use consultants	3	3	1
People who do business have difficulties in proper book keeping	3	3	1

people who do business ignore taxes	3	2	0.67
tax officers are more corrupt	3	3	1
business people forge receipts and other business documents	3	3	1
Average			0.95
Cause of tax evasion			
low level of tax education	3	3	1
taxation system	3	3	1
people are not will willing to pay taxes	3	3	1
it is very expensive to register a business	3	3	1
no sufficient staff to follow up and check fraud	3	3	1
many local businesses do not "hire" employees	3	3	1
tax evasion is not unethical if tax rates are too high.	3	3	1
tax evasions is not unethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	3	3	1
tax evasion is not ethical if the tax system is unfair.	3	3	1
tax evasion is fair if a large portion of the money collected is wasted.	3	3	1
strict regulation on importation cause people to evade taxes	3	3	1
business is eligible to pay VAT (Use numbers in bracket where it is appropriate)	3	3	1
Average			1
VAT payment in Rwanda			
no refund procedures are particularly easy	3	3	1
no Clear guidance from tax authorities is available	3	3	1
communication with tax authorities is not easy	3	3	1
actual repayments are quickly made	3	3	1
there is no electronic submission procedures which is available	3	3	1
the tax authorities make claiming refunds too difficult	3	3	1
the amounts involved are too small	3	2	0.67
it would need to register for VAT	3	3	1
When registered with VAT your bank accounts are always monitored	3	3	1
difficulties in refunding process is the cause of not willing to pay the VAT	3	3	1
have you ever been engaged in the undeclared sector	3	3	1
Average			0.97
Overall average			0.97

$CVI = \text{No. of items declared valid (N)} \div \text{Total no. of items (n)}$

Where:

CVI = Content Validity Index

CVI = 0.96 + 0.97

CVI = $1.93 / 2 = 0.965$

Reliability Statistics	
Cronbach's Alpha	N of Items
.808	57

RESEARCHER'S CURRICULUM VITAE

RESEARCHER'S CURRICULUM VITAE

A. BIO-DATA

First Name	: GASORE
Last Name	: Nkunda
Nick Name	: Prince
Contact Tel.	: (00250) 788 611 097, (00250) 788 784 167
E-mail	: nzogeye@yahoo.fr; nzogeye@gmail.com
Gender	: Male
Nationality	: Rwandese
Date of birth	: 27th December, 1978
Father's name	: NKUNDABATWARE Elias
Mother's Name	: NYIRANKUNDWA Cecile
Marital status	: Married
Religion	: Christian

B. STUDIES

Primary and Secondary Level		
From	To	Name of School
1986 – 1992		I completed Primary school level at Catholic Primary School, DRC
1993 – 1998		I completed Secondary School level at Institut Hekima in Teaching (Pedagogy), RDC
University Studies		
2003 – 2007		I completed Bachelor's Degree in Business Administration, at Independent Institute of Lay Adventist of Kigali in Rwanda (UNILAK)

C. WORKING EXPERIENCE

	From	To	Organisation	Position
01	January 2005	February 2006	Women in Capacity Building Association (WCBA) asbl	Accountant
02	July 2008	August 2011	Rwanda Aid, a UK Based International Organisation	Country Manager

D. OTHER TRAINING

1. Training on facilitation and management of Joint Action Forum		
2. Computer training on the following programmes:		
No	Software	level
01	- MS Office package (MS Excel; MS Word; MS Access; MS Publisher, MS Groove) version 2003; 2007; 2010	Advanced
02	- Internet application	Advanced

3	- Networking	Basic
---	--------------	-------

E. DRIVING LICENCE

Category	B
Origin	Rwanda

F. WRITTEN AND SPOKEN LANGUAGES

LANGUAGE	WRITING	SPEAKING
Kinyarwanda	Excellent	Excellent
English	Excellent	Excellent
French	Good	Good
Swahili	Good	Good

