

VAT/GST Fraud investigation

Country presentation on VAT/GST fraud Investigation.

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Introduction

- The Value Added Tax (VAT) or Goods and Services Tax (GST) are broadly based consumption tax assessed on the value added to goods and services.
- In Rwanda, VAT plays a major role in tax collection; It collects the largest amount of tax revenue of any tax types.
- VAT is indirectly paid by the final consumer of goods or services.
- Taxpayers are the ones who collect this type of tax and pay it to the tax administration.
- VAT is payable on monthly or quarterly basis, based on the taxpayers turnovers.

Introduction (Cont.)

- Taxpayer with annual turnover below Frw 200,000,000 may choose to declare on quarterly basis.
- All goods and services supplied in Rwanda are considered taxable unless they are zero rated or exempted.
- VAT tax rate is 18% and 0%.

Nature of VAT fraud Investigation and challenges

- Creation of dummy companies with the purpose of facilitating taxpayers to evade VAT tax by issuing invoices on fictitious transaction to reduce VAT payable.
- Owners of dummy companies do not have any physical assets, real physical address.
- Some times they become missing traders which makes irrecoverable VAT.

Nature of VAT fraud Investigation and challenges (Cont)

- Reduction of VAT tax collection.
- Many taxpayers make declarations but do not pay the corresponding VAT, hence a big number of non payers in the tax administration system.

Nature of VAT fraud Investigation and challenges (cont.)

- Difficulties to recover lost VAT because these taxpayers are not traceable.
- Taxpayers reduce the output VAT where they buy fictitious Invoices (input) from dummy companies to reduce the VAT payable.
- Loss of VAT collected on imports.

Measures taken to overcome challenges

- We assess VAT evaded from real taxpayers.
- Suspects are prosecuted.
- Outputs/Inputs validation was put in place by RRA.
- RRA is working on stock automation system.

Conclusion

As we all know, many taxpayers do not comply with Tax administration that is why some of them continue to find a new way or technics to evade taxes; Reason why Tax administration should continue to educate taxpayers by showing them the benefits of duties and taxes in the development of the country.

THANK YOU/ MURAKOZE

Anne Marie