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## Working Paper 59

# Communicating to Improve Compliance: Taxpayers' Feedback on Message and Mode of Delivery in Rwanda

Denis Mukama, John Karangwa and Naphtal Hakizimana

March 2017

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# Communicating to Improve Compliance: Taxpayers' Feedback on Message and Mode of Delivery in Rwanda

Denis Mukama, John Karangwa and Naphtal Hakizimana

## Summary

The journey from coercion to persuasion to drive tax compliance started gradually for the Rwanda Revenue Authority (RRA). This is shown in the mission and core value statements that underpin the tax administration's activities in service delivery and trade facilitation. Recently the RRA has undertaken aggressive tax education and sensitisation campaigns in order to influence taxpayer behaviour towards more voluntary compliance, having limited resources to undertake enforcement. In the absence of any significant impact evaluation, however, it is hard to determine the effect of these endeavours on the intended outcome of voluntary compliance.

The tax administration had the opportunity to review the effectiveness of its communication strategy through a tax compliance experiment, which involved delivering various messages using different means and evaluating taxpayer behaviour. Although many taxpayers reacted positively to these messages, particularly through upward revisions to their tax returns, there were a significant number whose reactions were not captured – necessitating a further study to investigate why these taxpayers had not reacted in any way. This paper reveals some interesting findings from this study, including the need to remind taxpayers more frequently, and to provide additional information on top of reminders. The paper also shows that taxpayers prefer to receive information on usage of public funds instead of threatening messages (deterrent), which is consistent with the findings of the tax compliance experiment.

**Keywords:** taxpayers; tax compliance; information messages; respondents; tax administration; feedback.

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# Contents

	Summary	3
	Acknowledgements	5
	Acronyms	5
	<b>Introduction and background</b>	<b>6</b>
<b>1</b>	<b>Methodology</b>	<b>9</b>
<b>2</b>	<b>Analysis and findings</b>	<b>10</b>
2.1	Findings from RRA staff interviews	10
2.1.1	Number of taxpayers who approached RRA staff	10
2.1.2	Whether RRA staff knew taxpayers personally	11
2.1.3	Taxpayer reactions to mode of delivery of message	11
2.1.4	Taxpayer concerns reported by RRA staff	11
2.2	Results from taxpayer interviews	12
2.2.1	Response rate	12
2.2.2	Taxpayers who were contacted/not contacted by taxpayer category/size	12
2.2.3	Respondents and relationship to the business	12
2.2.4	Businesses by location	13
2.2.5	Taxpayers by business sector	13
2.2.6	Message delivery rate	13
2.2.7	Reasons reported for not receiving the message	14
2.2.8	Clarity of the message	14
2.2.9	Whether those who did not receive the messages heard about them from fellow taxpayers	14
2.2.10	Different reactions to the messages	14
2.2.11	Reasons given for not reacting to the messages	15
2.2.12	Taxpayer views on the messages received and kind of message they would like to receive from the RRA	16
<b>3</b>	<b>Additional feedback from taxpayers/the taxpayers' voice</b>	<b>16</b>
<b>4</b>	<b>Recommendations</b>	<b>17</b>
	<b>Annexes</b>	
Annex 1	Taxpayer questionnaire, 7-13 June 2016	19
Annex 2	RRA staff questionnaire: administered 11-15 April 2016	21
	<b>References</b>	<b>22</b>
	<b>Tables</b>	
Table 1	Number of taxpayers received by the RRA staff interviewed	11
	<b>Figures</b>	
Figure 1	Taxpayers who were contacted/not contacted by taxpayer category	12
Figure 2	Operating sector of businesses	13

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The work presented is the responsibility of the authors.

## Acronyms

ATAF	African Tax Administration
ICTD	International Centre for Tax and Development
RRA	Rwanda Revenue Authority
SMS	Short message service

# Introduction and background

The Rwanda Revenue Authority (RRA), Rwanda's tax administration authority, was established under Law N° 15/97 of 8 November 1997 as a quasi-autonomous body with a mandate to assess, collect and account for tax, customs duties and other specified revenues. The RRA is further mandated to advise government on all matters relating to tax policy and revenue collection, as well as issues related to tax administration.

The institution was formed as part of the Government of Rwanda's reform programme to restore and strengthen the main economic institutions of the country, and, in particular, to improve its capacity to mobilise resources, while providing the public with better quality and courteous services. Tax collection was formerly the responsibility of the Fiscal Department of the Ministry of Finance.

The RRA is aiming to become a world-class efficient, modern revenue agency, fully financing the national needs of the country, and has a mission to mobilise revenue for economic development through efficient and equitable services that promote business growth.

In undertaking its mandate the RRA has placed significant effort on taxpayer education and sensitisation to promote voluntary compliance, since the resources for comprehensive enforcement are very limited. This is in line with the tax administration's continuing shift from coercion to persuasion, a journey that started in 2003. Given the low taxpaying culture of the citizens before and immediately after the establishment of the RRA, it was considered understandable and desirable to exercise more coercive techniques to get people to abide by the law. This approach is supported by some literature validating the use of deterrence methods to improve compliance (e.g. Slemrod et al. 2001; Castro and Scartascini 2015; Fellner et al. 2013; Bott et al. 2014; Dwenger et al. 2016).

However, over the years the growth of tax administration, together with changing government priorities, emerging initiatives for trade facilitation, opening-up of the economy and limited enforcement resources, among others, have necessitated putting more emphasis on a persuasive approach to tax collection, rather than coercion. It was believed that the tax administration's limited resources would be better used to promote voluntary compliance. This shift in approach is consistent with the practice in many other tax administrations. 'The OECD (2001), for example, noted that "[t]he promotion of voluntary compliance should be a primary concern of revenue authorities" in its principles for good tax administration' (Luttmer and Singhal 2014). After all, over-reliance on deterrence may be counterproductive, especially if the threat of audit cannot be followed up with actual checks by the tax administration (Carrillo et al. forthcoming). However, this does not preclude the fact that coercion may be required when there is non-compliance with the law.

Action taken by the RRA to encourage voluntary compliance include reviewing tax laws to make them less ambiguous and obsolete, simplifying compliance requirements with greater emphasis on small and micro taxpayers, and, most importantly, offering as much information as possible about taxation to the taxpayers. The tax administration also embarked on more robust citizens' education and sensitisation campaigns, which included celebrating an annual national Taxpayers' Appreciation Day.

In addition, targeted education and/or sensitisation campaigns are carried out through workshops, radio stations, television stations, letters, short message services (SMS), phone calls and print media (newspapers, journals, bulletins, leaflets, etc). The RRA's communication arrangements are handled by the Taxpayer Services Department in much the same way as other departments; operational departments routinely contact taxpayers on matters relating to their tax obligations or taxation in general.

Depending on the audience targeted or intended message, the RRA uses a mix of channels to communicate with its stakeholders. In spite of the improved focus on communication, so far there is no evidence of any attempt to evaluate the effectiveness of the different means of communication in influencing taxpayer behaviour. The compliance project, which is the foundation of this paper, aims to fill this void.

The RRA, in conjunction with ICTD and ATAF decided to undertake a taxpayer compliance study, with the aim of determining the impact and effectiveness of different messages and mode of delivery in influencing the level of tax compliance. This compliance study started in mid-2015, and was based on randomised experiments. The study involved sending out different information messages to sections of taxpayers in phases. The study details and results can be found on the International Centre for Tax and Development website (<[www.ictd.ac](http://www.ictd.ac)>).

The compliance study comprised two phased field experiments. The first one – carried out in September 2015 – involved sending out letters to about 1,000 taxpayers containing information on legal provisions related to sanctions in the Rwandan tax code.<sup>1</sup> The letters reminded taxpayers of heavy sanctions for under-declaration of taxes, and a much-reduced sanction for revisions of tax returns by the taxpayer. Specifically, this letter summarised the heavy sanctions resulting from income under-reporting (as high as 60 per cent if revealed through an audit), whereas it comes down to as low as 10 per cent when voluntary revision is done before an audit notification is issued. The letter was translated into three official languages in Rwanda: English, French and Kinyarwanda.

In addition to observing taxpayer behaviour, where taxpayers were expected to come forward and revise their tax accounts voluntarily, this initial experiment also served as a pilot phase for the second and larger experiment.

The main experiment was carried out between February and March 2016, and involved testing various information messages and delivery modes.<sup>2</sup> These were designed as deterrent, public expenditure and control messages, and each message was delivered in three different ways – by letter, SMS and email. About 11,000 taxpayers received a message during the full-scale experiment (equally split between SMS, email and letter), while 2,000 received no message and served as a control group.

The public expenditure message highlighted a reminder of the tax due date, and a graph showing how taxes are spent on various public goods, such as health, education and security. The deterrence message reminded taxpayers of the tax due date, penalties, and even the possibility of facing prosecution for late or non-filing and payment of tax. The third one, the control message, simply reminded taxpayers of the tax due date for Corporate Income Tax and Personal Income Tax. In all messages, taxpayers were requested to contact the tax administration through the call centre if they needed any clarification about the message. In addition, efforts were made to ask staff to direct taxpayers who sought clarification on these messages to the Department of Planning and Research. Taxpayers in the control group did not receive any message, but were used as a counterfactual in the absence of any intervention.

The whole exercise was expected to trigger numerous reactions from taxpayers in various ways, from revising their tax declarations, seeking additional clarification, to being confused about the information. Whilst the RRA call centre was expected to be the main channel through which taxpayers would register their concern as indicated in all messages, only about 48 cases were recorded through the call centre from both the pilot and full-scale

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<sup>1</sup> Details are published in Mascagni et al. (2016).

<sup>2</sup> Details contained in Mascagni et al. (2017).



experiments. The noticeably small number of cases captured between February and March 2016 could be associated with the high call traffic and/or understaffed call centre leading to long waiting times, since the period coincided with the annual peak tax period in March.

In addition to the call centre, it was anticipated that taxpayers would use alternative channels to get clarification about the messages – for instance, by contacting RRA officers, especially those with whom they are in regular contact or those that are easily accessed.<sup>3</sup> These include auditors in the Domestic Tax Department – especially because these are the people who actually deliver the letters to taxpayers, front officers/receptionists – who guide visitors to where they can get a service within the RRA, central secretariat staff, departmental secretaries and executive assistants to the commissioners – because they are accessed regularly by many taxpayers for specific tax-related issues.

Given that a small number of taxpayer reactions were recorded through the call centre and by the Department of Planning and Research (partially explained by the above potential alternatives to taxpayers), it was necessary to improve our understanding of why some taxpayers did not react in any way. The outcome of this inquiry is the basis of this paper.

### **Objective of the study**

The objective of this study was to gather more views from taxpayers in regard to the information messages (letter, email and SMS) they either received or heard about from third parties (family, neighbours, friends or other networks) (a spill-over effect), in addition to the information that they revealed in their tax returns. This would provide more in-depth understanding into taxpayers' feedback to different messages and the applied mode of delivery – in addition to what was uncovered in the quantitative analysis.

Since the information messages and delivery modes used were intended to trigger taxpayer reactions in numerous ways, this study sought to answer the following questions:

1. Was the message clear and understandable? Here the aim was to gauge whether the recipient was able to read and understand the message clearly, or whether the message was illegible or confused the reader as to what they were expected to do.
2. Was the intended message understood in the intended way? Although messages were designed to deliver specific message content, taxpayers may have understood them differently. For example, they might have understood the public service message as deterrence, especially when letters were delivered by RRA officials. Did the messages lead to reactions other than those that can be captured in the quantitative analysis (i.e. taxpayers may not have reacted in a way that is captured in the analysis, but they might still have reacted in different ways, for example by contacting their accountants to verify the status of the accounts, or speaking with an RRA officer.
3. Did taxpayers hear about these information messages from others? The taxpayers who did not receive messages may have heard about them through third party sources, which may suggest presence of a spill-over of messages to multiple taxpayers beyond the recipients.
4. What additional specific information would taxpayers want to get in the RRA messages? What kind of information would taxpayers like to receive apart from the reminder messages that the RRA often sends?
5. Were taxpayers satisfied with the messages, or did they generate resentment? Much as the messages resulted in higher tax returns, it is important to ascertain whether

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<sup>3</sup> Easily accessed here includes those offices that are likely to be the 'go-to' office regarding any information about tax within the tax administration. We had a case reported where a secretary in one department was contacted in regard to the sanction letter just by virtue of the fact that her department routinely sends communications to taxpayers. The taxpayer assumed that this message was also from her department.

taxpayers are happy to receive these messages, and to take into account their views – for example, if they want to have any additional information.

# 1 Methodology

The study design involved interviewing two groups of respondent: i) RRA staff members believed to be in regular contact with taxpayers by virtue of their work, and ii) taxpayers who were part of the experiment sample, to capture their opinions and reasons for reacting or not reacting to the messages.

RRA staff were targeted in this study because it is normal practice for taxpayers to contact RRA employees on any tax-related issue. Selection of RRA staff to be interviewed focused on those officers believed to have frequent interaction with taxpayers, such as tax auditors in the Domestic Tax Department (both large taxpayer office and small and medium taxpayers office), front desk officers/receptionists who receive and guide taxpayers within the RRA, central secretariat staff, departmental secretaries and executive assistants to the commissioners, who, by nature of their work, routinely receive and handle RRA-taxpayer correspondence.

The initially-selected RRA respondents were then asked to provide leads to other potential respondents among their colleagues who they knew or thought were eligible for interview. In this way the study could encompass as many views as possible. The method proved to be efficient, as it only required a reasonable amount of time and minimal resources. Thirty-six RRA officers were respondents through this process.

Of the 36 staff interviewed, 32 reported having interactions with taxpayers during the study period, the period for sending messages and receiving reactions (September 2015-March 2016); 29 of these (91 per cent) stated that interactions were related to the compliance study. However, compared to formal channels (as per the research design – the RRA call centre and Research Division), 34 taxpayer reactions were captured for the main experiment and most of them wanted to know if there was any issue with their tax records. This could certainly suggest taxpayers' lack of trust in the RRA call centre, as taxpayers preferred to make direct contact with RRA staff rather than waiting for the call centre services for some reason.

To minimise any recall problem associated with the number of taxpayers who had approached RRA staff over the reference period (six months after the pilot study (September 2015 to March 2016) and more than three months after the main experiment (February to June 2016), an attempt was made to allow respondents to report the number of taxpayers within a number range.

As for the taxpayers to be interviewed, a random sampling method was used to select 100 respondents from the three treatment groups and the control group. The control group was included in the sample design to determine whether taxpayers who did not receive any message still heard about the messages through third parties (family, neighbours, friends or other networks). If the control group had heard of the messages, this would indicate that the messages had a spill-over effect. The reason for analysing the existence of a spill-over effect of the messages is two-fold. First, to inform the analysis of revision of tax returns done by taxpayers after receiving the messages, particularly if those revisions include taxpayers who did not receive messages. Second, it would be crucial in informing the tax administration to what extent a specific communication option reaches taxpayers beyond a targeted group. In both cases (for RRA staff and taxpayers), interviews were conducted using a predefined set of questions (see Annexes 1 and 2), administered by the Research Division of the RRA. The

questionnaire was designed to be brief, at an average completion time of seven minutes. However, in some cases the interviews were considerably longer (e.g. when interviewees had to narrate experiences or elaborate stories), and in others there were multiple interactions with interviewees to clarify certain aspects.

For the taxpayer questionnaire, questions focused on whether a taxpayer had received the message, and, if not, the reason for not receiving it, message type, clarity of the message, whether they understood the intended message, heard about the message from others, both immediate and final reactions, opinions on communication modes, and anything else taxpayers would want in the information sent to them by the RRA in the future.

To test the ease of access to the call centre – the channel communicated to taxpayers to seek clarification – the researchers also made calls to the call centre.

## 2 Analysis and findings

This section presents the findings from both RRA staff interviews and interviews of taxpayers. Section 2.1 focuses on the RRA, and Section 2.2 looks at feedback from taxpayers.

### 2.1 Findings from RRA staff interviews

Of the 36 RRA staff interviewed, 32 reported having interacted with taxpayers during the period September 2015-March 2016 (the period for sending messages and receiving reactions), and 29 (91 per cent) stated the interactions were relating to the messages sent out during the compliance study. Bearing in mind that taxpayers were requested to call the RRA call centre for any clarification, it is worth noting that more taxpayers may have contacted RRA staff directly than the 18 calls registered from the call centre and 16 'walk-ins' registered by the RRA research unit. This could suggest a number of possibilities: are taxpayers 'programmed' to contact RRA staff on any tax-related matter; did taxpayers want clarification from the people that delivered the messages (auditors delivered the letters); were taxpayers finding it difficult to get through to the call centre during this time; or was it just a coincidence?

The most plausible cause that we tested is the problem faced by taxpayers in getting through to the call centre. We tested the call centre by making a number of calls (ten) at different times on different days, but **none** of these calls went through. Either the phone lines were busy, or would disconnect immediately without the call being successful. If taxpayers experienced the same problem, it is logical to assume that they sought alternative channels to obtain clarifications. We were informed that during the peak taxpaying period (March) – a time that coincided with the time the calls were made – call centre staff are usually dispatched to support other functions, which also explains why calls were not answered.

#### 2.1.1 Number of taxpayers who approached RRA staff

The RRA staff being interviewed were asked to estimate the number of taxpayers who contacted them regarding the different messages, and from these estimates a rough idea of total taxpayers that contacted RRA staff was computed. The computations suggest that approximately 200 taxpayers approached the RRA with concerns related to the compliance study messages. However, since these interviews were conducted six months after the pilot

experiment<sup>4</sup> and more than three months after the main experiment,<sup>5</sup> it was expected that the number of taxpayers who had approached an RRA staff member over that period would be difficult to recall. To minimise this, respondents were given flexibility to answer within the 'number range/interval' (see Table 1).

Therefore, the total number of taxpayers who approached RRA staff was estimated using the average number for a given interval/range reported, multiplied by the frequency for each interval.

**Table 1 Number of taxpayers received by the RRA staff interviewed**

Range of taxpayers received	Frequency	Avg. no. of taxpayers	No. of taxpayers (est.)
Less than 6	15	3.5	52.5
Between 6 and 10	7	8	56
Above 10	7	13.5	94.5
Total number of taxpayers			203

### **2.1.2 Whether RRA staff knew taxpayers personally**

Respondents were asked if they had personal knowledge of the taxpayers who contacted them. The intention was to establish whether this personal knowledge could influence the decision to contact RRA staff rather than using the call centre. 14 per cent of the 29 RRA staff who interacted with taxpayers on compliance messages reported personal knowledge of the taxpayers. These were auditors, who knew these taxpayers from their work. This means that 86 per cent of taxpayers who contacted RRA staff were random occurrences, where they walked into the tax office and were directed to the auditors (since they delivered the letters) or they associated the messages with audit.

### **2.1.3 Taxpayer reactions to mode of delivery of message**

The results show that taxpayers mainly contacted RRA staff seeking clarification on the letters (82.8 per cent); 13.8 per cent sought clarification on SMS and 1 per cent on emails.

### **2.1.4 Taxpayer concerns reported by RRA staff**

Respondents were asked to expand on the nature of concerns raised by taxpayers regarding the different messages. The major concerns include the following:

- 38 per cent wanted to know the status of their tax account in general, to ensure they were safe within the law;
- 20.7 per cent complained that they received too many messages from the RRA, and felt they were being targeted. This was particularly in reference to the letter;
- after receiving the message, 10.3 per cent wanted to know if there was any mistake in their tax declaration so they could rectify accordingly;
- 10.3 per cent was composed of two elements: those who wanted to know why they were sent messages, and those who were seeking information that was not related to the information messages.

<sup>4</sup> The pilot experiment involved sending 1,000 letters to taxpayers, emphasising the advantages of self-rectification of declarations as opposed to being discovered by the tax administration. This was in September 2015.

<sup>5</sup> The main experiment was fully-fledged research, which involved sending messages to more than 12,000 taxpayers. It ran between February and June 2016.

## 2.2 Results from taxpayer interviews

This section looks at the findings from interviewing taxpayers directly. As mentioned above, 100 taxpayers were sampled from those who were sent messages, and from a control group that were not sent messages (this was expected to shed more light on the extent to which these messages were heard of from third parties).

### 2.2.1 Response rate

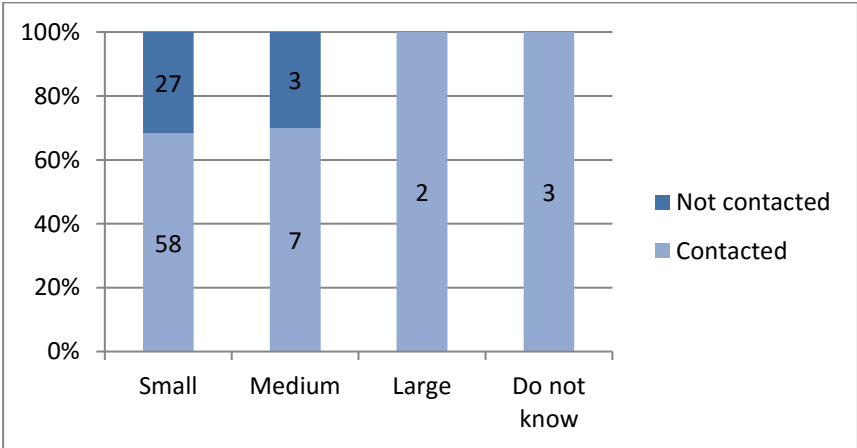
The team was able to get responses from 70 out of the sample of 100 taxpayers (response rate of 70 per cent). The remaining 30 per cent could not be reached due to several reasons: some taxpayers refused to disclose their location or answer subsequent calls once they heard that they were being contacted by the tax administration; for some, their phones were ringing but were not being picked up throughout the interview period; for others the phone numbers were switched off throughout the study period; for a few, the tax administration had the wrong number for the targeted taxpayers.

Since some taxpayers could not be reached once they realised that the calls were from the RRA,<sup>6</sup> independent researchers might have achieved a different response rate. The present analysis could not establish this.

### 2.2.2 Taxpayers who were contacted/not contacted by taxpayer category/size

As anticipated, all the taxpayers that were not contacted for an interview were small and medium taxpayers; all large taxpayers were contacted and interviewed, as indicated in Figure 1. Nonetheless, the number of taxpayers who were not contacted from the medium category is relatively larger than expected, since this category is closely monitored by the tax administration. Respondents in the 'Do not know' category are those taxpayers who claimed not to know their tax category.

**Figure 1 Taxpayers who were contacted/not contacted by taxpayer category**



### 2.2.3 Respondents and relationship to the business

The majority of respondents (68.6 per cent) were businesses owners, 11.4 per cent were accountants, 1.5 per cent were secretaries, while 6.1 per cent were ordinary workers. This reflects well on the quality of information collected, as it was given by the right people.

<sup>6</sup> Taxpayers were initially telephoned to set up a meeting for the interviews; once they realised the calls were from the tax administration they did not answer subsequent calls.

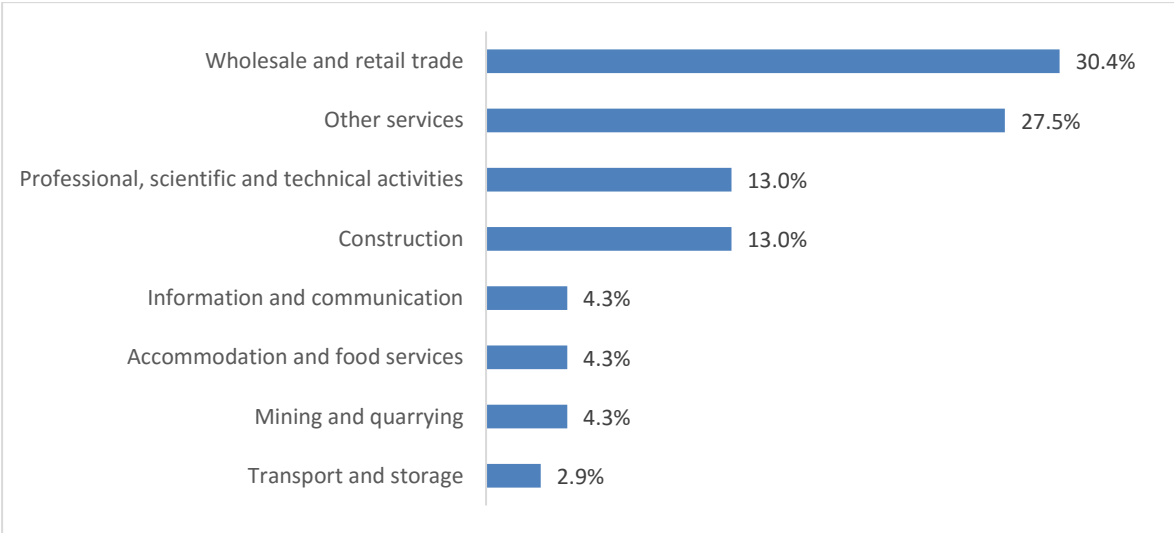
**2.2.4 Businesses by location**

43 per cent, 34 per cent, and 21 per cent of the taxpayers interviewed said that businesses were located in Gasabo district, Nyarugenge district and Kicukiro district respectively (all districts within Kigali City); only one business was located outside the city of Kigali, in Ngoma. This information was obtained from the interviews, not from the tax centres in the RRA database. Having more respondents from Kigali City is consistent and complimentary to the fully-fledged experiment reported in Giulia Mascagni et al. (2017), which shows that most taxpayers in Rwanda are located in Kigali city.

**2.2.5 Taxpayers by business sector**

The highest number of respondents are engaged in wholesale and retail trade (30 per cent), with the fewest respondents engaged in transport and storage – only 2.9 per cent. While this information represents the situation for the sample, it may also roughly reflect the broader picture of Rwanda’s business landscape.

**Figure 2 Operating sector of businesses**



There are interesting similarities between the findings and the composition of the RRA database. ‘Others’ and ‘Wholesale and Retail’ are the biggest sectors in both cases; ‘Construction’ and ‘Professional’ sectors are highly represented in both cases. The noticeable difference is that whereas ‘Transport and Storage’ is one of the biggest sectors in the RRA database, it was the least represented sector in the survey.

**2.2.6 Message delivery rate**

Eighty-six of the 100 taxpayers sampled for this study were supposed (expected) to have received a message from the RRA during one of the two experiments. The rest (fourteen) were from the control group that did not receive any message, but was used to test whether those who did not receive a message heard about the information messages from others. The study showed that 63 per cent of those expected to receive a message reported having received one. This rate is consistent with the success rate of the delivery process, which was 60 per cent for the pilot and slightly lower for the full experiment. The relatively low number further speaks to existing challenges of correctly identifying and dealing with taxpayers due to issues like wrong taxpayer contact information and physical address in the RRA database.

### **2.2.7 Reasons reported for not receiving the message**

Respondents were asked why they may not have received the information messages during the study period. Twenty-five (35.7 per cent) of the 70 respondents did not receive any message from the RRA between September 2015 and March 2016. Most of these (87.5 per cent) said they were not contacted by the RRA as the main reason for not receiving information messages. This possibly tallies with the fact that some messages were not delivered due to reasons stated in Section 2.2.1.

Other reasons cited for not receiving the message include: being out of the country (two respondents), phone was not in service (one respondent); and one respondent who said he designated someone else to receive the letter as he did not have time to collect it.

### **2.2.8 Clarity of the message**

The compliance message was largely clear to 93.3 per cent of those who received it, with only three (6.7 per cent) reporting otherwise. From the three who found the messages unclear, two are small taxpayers and one is from the medium category.

Those who thought the message was not clear said it was due to: the message being vague, they had no idea what to do since they had closed their business, or the message did not point out a mistake made by a taxpayer so they could act accordingly. When asked further what they did as soon as they received such an unclear message, two of them did nothing while the third one consulted his tax advisor. In the end two of these decided to declare their taxes, whereas one did nothing – maybe because the business was closed.

### **2.2.9 Whether those who did not receive the messages heard about them from fellow taxpayers**

The study was set up to include a group of taxpayers who did not receive any message, to test if they heard about the information messages from third parties. In addition to that group, those taxpayers who should have received the message but claimed not to have received it were asked whether they heard about the messages. The results show that 19 of the 25 respondents (76 per cent) who did not receive any message said they were not informed about the message through third parties (which means there was little spill-over effect from the experiment, and that the study reported in Giulia Mascagni et al. (2017) is likely to have identified the correct effect). Only six respondents (24 per cent) said they had been informed by other taxpayers about the message. Those who said they heard about the messages from others were asked what they did as a result of this: two did nothing, one asked his colleague what the message was all about; two asked themselves what kind of people were being targeted by the message and if 'the service' (they thought the messages were about a service) is requested from somewhere so that they can also ask for it. The last one said that he started arranging documents in order to fulfil his obligations on time.

### **2.2.10 Different reactions to the messages**

When asked how they first reacted upon receiving the messages, 18 of the 44 respondents (40.9 per cent) who received the message reported actions including 'filed my tax returns'; 'felt comfortable because my books were ready'; 'the message woke me up and I started preparing my books in advance so that I declare on time and avoided penalties because it came early'; 'immediately started thinking of where I made mistakes and why I am receiving such messages'; 'felt thankful to the RRA for its reminders'.

Thirteen respondents (29.5 per cent) reported to having done nothing, seven respondents (15.9 per cent) contacted the RRA, five (11.4 per cent) consulted their tax advisers, and one respondent (2.3 per cent) consulted other taxpayers.

Of the thirteen respondents who had no reaction to the message, six hold a bachelor's degree and five have a master's degree. This raises the question of how the education level of a taxpayer impacts on the level of compliance: it could well be that those with higher levels of education felt comfortable with their tax declaration, or simply assumed the message was a normal reminder from the RRA.

#### **Some taxpayer reactions triggered by the information messages**

- One person who had not been invited came to an RRA meeting with taxpayers at Gacingiro, which was targeting timber sector operators to sensitise them about the need to formalise and register with the tax administration. He was holding a rectification letter written to him by the RRA. He was very angry, and threw the meeting into confusion by inquiring about things that were not familiar to the attendees. He wanted to know why the RRA wrote him a letter on revising tax returns (experiment 1), something he had assigned to his accountant without keeping a copy of the letter. Luckily, the chair of the meeting (RRA Deputy Commissioner General), aware of these messages, calmed him down and asked how accurate he thought his accounts were, at which point he said he was not sure. He revealed that he was becoming suspicious, because when he showed the letter to his accountant and wanted him to follow it up, the accountant claimed that it would cost the taxpayer additional amounts since the letter was addressed personally to the business proprietor, making it his personal problem. This puzzled him, and prompted him to inquire about the situation of his accounts with the RRA. He was encouraged to approach RRA offices at his convenience to obtain more details.
- One lady belonging to an elite group of 20 prominent businesswomen, set up to enhance their businesses through sharing knowledge, received a rectification letter from the RRA. She was scared to reveal this to her group members, because she knew some things were not well with her tax accounts. During one of the training sessions on tax matters organised by the group for the benefit of its members, this lady approached the RRA trainer on the side to seek clarification on the letter. She revealed that when she received the letter she was scared to come to the RRA because of some dubious activities she was engaged in. She was in the habit of opening new companies whenever one was challenged, including on tax-related matters. Now she had received the letter from the RRA relating to a company she believed was more organised than the others, she was worried that if she came to rectify on that company she would be issued additional letters for the other companies. She confessed she was aware of the repercussions of her deeds, but had bided her time. She needed advice from RRA staff on how to rectify her accounts without major consequences – such as going to jail. She was willing to come clean. The RRA trainer advised her to start with the company that she was confident had less tax issues until all companies were rectified, since the RRA would eventually pin her down and the consequences would be more severe. She took the advice, rectified her accounts, and negotiated for instalment payments of her outstanding arrears.
- One large taxpayer sent his accountant to find out why he was receiving such a vague message from the RRA on revising tax returns when he received the rectification letter. He wanted to be shown the specific areas that needed revision, since he believed the RRA had noted some inconsistencies. The accountant was advised to re-check their declarations for any inaccuracies, which they did and in fact realised there was some withholding tax that had not been declared. They did rectify and pay the outstanding amount, and are happy to have clean tax accounts. By doing so the taxpayer was able to benefit from a lower sanction through self-rectification, as opposed to what would have had to be paid had the tax administration discovered these non-declarations.
- Another taxpayer got in touch with his accountant after receiving the same rectification letter – and he was not very cooperative. The taxpayer decided to establish the status of his account, only to discover that there were a lot of inconsistencies and fraudulent transactions done through his company name and account. He immediately wrote to the RRA Commissioner General informing him of this development, seeking additional time to investigate and rectify his accounts. This eventually led to full-scale criminal investigations that are still ongoing. Had this taxpayer not received this letter, he probably would not have noted the fraudulent activities.

#### **2.2.11 Reasons given for not reacting to the messages**

When asked what they finally did about the messages, eight taxpayers said they still did nothing. Asked why they still did not react, four (50 per cent) reported reasons including: seeing the message (email) the day before the interview (suggesting an underlying setback associated with using email as a mode of communicating with taxpayers, as some people do



not check their email very often; others said they were already aware of their tax obligations, considered the message a general communication and had no need to react. Two respondents said that the messages were wrongly addressed and were not meant for them; one respondent did not understand the purpose of the message; and another said that he had closed the business – an issue relating to RRA register integrity, where a high number of inactive taxpayers are not promptly acted upon.

### **2.2.12 Taxpayer views on the messages received and kind of message they would like to receive from the RRA**

41.3 per cent of taxpayers were content with the information contained in the messages they received. They in fact appreciated that the RRA goes the extra mile in reminding them of their tax obligation. However, all taxpayers wanted to have a wider range of areas to be included in future information from RRA regarding taxes. When asked to specify the kind of information they would like to see, the key points include the following;

- Taxpayers want to know more about the different tax rates by tax head and tax regime, and migrations between those regimes, in addition to regular filing period reminders;
- They want to know more about the status of their tax accounts, and any outstanding arrears or credits;
- Taxpayers want to be more involved in the development of tax policies, and particularly to be informed of any change in a law/procedure as soon as it happens;
- Regularly to be informed about how taxes are spent;
- They want to know more on how to calculate their taxes – particularly the small taxpayer category;
- They want to be informed when a business is closed, once requested by the taxpayer;
- Some taxpayers want to be informed when a declaration has been successful, as well as a detailed breakdown of penalties;
- Some wish to know more about the quarterly and monthly declaration periods and movements from one to the other.

## **3 Additional feedback from taxpayers/the taxpayers' voice**

This is a compilation of special requests expressed by taxpayers during the survey, which are not necessarily related to the compliance project. It highlights feedback from taxpayers on what they would like the RRA to address to improve compliance in general. Since taxpayers were asked to be as open and frank as possible, they discussed and suggested areas that are not necessarily related to the compliance messages.

This taxpayer feedback is presented in this report because it gives RRA additional feedback, and creates an opportunity to use the communication strategy to address some of the issues that can prevent optimisation of revenue collection and attaining full compliance. Below is a list of the most relevant issues for a tax administration:

1. Some taxpayers complained about the long procedures required to close a business, and suggested they should be shortened to avoid unnecessary fines being imposed. One is more likely to forget to declare when a business is no longer operational.
2. Some taxpayers thought that the level of fines and penalties is quite high in Rwanda, and requested RRA to carry out research comparing fines with other countries and see what could be done accordingly;

3. Others requested that RRA should ensure that taxpayers are immediately informed through different channels (email, SMS, etc.) of any changes in tax laws that affect their business – for instance, by extracting and explaining relevant articles from the official gazette, and then emailing them to taxpayers.
4. Other taxpayers said electronic billing machine invoices were of poor quality and impossible to read after some time; they might be required for tax audit purposes.
5. The introduction of the online declaration was praised, but taxpayers felt that it was being hindered by slow internet and other connection issues.
6. The culture of reminding taxpayers of the tax due date through SMS at least five days before tax was due was appreciated and requested to be maintained.
7. Taxpayers felt that the RRA hotline (3004) is always busy, and requested a tangible solution. Suggestions included creation of another line that can be used to freely access RRA.
8. RRA messages should state the amount due and accompanying fines if tax is not paid.
9. RRA should prepare a small book containing important information relating to tax obligations, tax laws, etc. (like a tax guide) in order to increase taxpayers' knowledge about tax.
10. RRA to expand its outreach avenues and include options like YouTube videos to show how web or online forms are completed, and other practical examples for taxpayers.

## 4 Recommendations

1. RRA should review the call centre and empower it as necessary: the call centre was expected to be the primary channel of contact to RRA for taxpayers who needed clarification, but few taxpayers used it. The study found it difficult to get through to the call centre; the same issue was raised by taxpayers. The parameters used to measure the efficiency of responding to a call need to be reviewed, so that more time is given for call centre staff to extract information that can be used to routinely update the taxpayer register. The Taxpayer Services Department should regularly monitor the down time of the call centre. Simple interventions like regular test calls to the call centre will help identify any problems.
2. Reminding taxpayers of deadlines was found to be effective in improving compliance, and should be maintained. However, taxpayers also requested a wider range of information be communicated to them in addition to reminders, such as the status of their accounts or information on a change in the law.
3. It was established through the study that one reason why taxpayers did not react to the different RRA messages was because they considered them to be routine RRA messages. We recommend single ownership of the function of communicating with taxpayers if RRA is to make their communication strategy have more impact. It was established that different functions within the tax administration contact taxpayers for different purposes. Once a taxpayer is contacted by several units of the same institution, then the impact of the communication runs the risk of being compromised.
4. Given the responsiveness of taxpayers in the interviews, and their willingness to share what they would like to see changed, the RRA should support and use regular direct interaction with taxpayers. The RRA should keep different options available for communicating with them, such as the call centre or suggestion boxes, but taxpayers particularly appreciated being paid a visit.
5. Taxpayers showed a lack of knowledge of some of the solutions to their challenges that the RRA seems to have already addressed. A case in point is when they requested the

tax administration to change the deregistration process – this has been addressed by the RRA. The same goes with the review of fines relating to electronic billing machines. The RRA should therefore make better use of the communication strategy to make available this and any other information, especially now that it is clear which mode of communication best suits which category of taxpayers.

6. The accuracy of the taxpayer registry needs to be improved and maintained – this was seen during selection of and communication with taxpayers. We are aware the RRA is in the process of cleaning the taxpayer registry. We recommend the development and communication of concrete procedures to routinely update the taxpayer registry once the cleaning exercise is completed. Procedures should be put in place to use the call centre and data obtained from tax auditors, for instance, as potential sources for the latest data on taxpayers.



Q2a. Why was the message (letter/email/SMS) not received?

- R1: Not contacted by RRA
- R2: Wrongly addressed
- R3: Did not want to receive the message
- R4: Other, please specify.....

Q2b. Did other taxpayers inform you about a message (letter, email or SMS) they received from RRA?

- R1 Yes
- R2 No

Q2c. If Yes to Q2b, what was your first reaction to the information you received from the other taxpayer?

- R1: Nothing
- R2: Consulted other taxpayers
- R3: Consulted tax adviser
- R4: Tried to get in contact with RRA
- R5: Other, please specify.....

Q2d. If Yes to Q2b, what did you do finally about the information your received from the other taxpayer?

- R1: Nothing
- R2: Checked my tax returns
- R3: Tried to get in contact with RRA
- R4: Other, please specify.....

*End the conversation.*

Q3. What was the message (letter/email/SMS) talking about?

- R1: Rectification (to make changes)
- R2: Public (allocation of taxes)
- R3: Deterrence (use of punishment as a threat to deter people from offending)
- R4: Control (as directing or reminding a person )
- Other, please specify.....

Q4. Was the message clear to you?      Yes                                      No

Q5a. If Yes to Q4, what was your first reaction to the message (letter/email/SMS)?

- R1: Nothing
- R2: Consulted other taxpayers
- R3: Consulted tax adviser
- R4: Tried to get in contact with RRA
- R5: Other, please specify.....

Q5b. If Yes to Q4, what did you finally decided to do about the message (letter/email/SMS)?

- R1: Nothing
- R2: Checked my tax returns
- R3: Tried to get in contact with RRA
- R4: Other, please specify.....

Q6. If No to Q4, what was not clear in the message?

- R1: Vague
- R2: Seems incomplete
- R3: What to do for closed businesses
- R4: What to do for new registered taxpayer
- R5: Where the mistake was made
- R6: True amount to be paid
- R7: Which tax type needs to be revised
- R8: Other, please specify.....

Q7a. If No to Q4, what was your first reaction to the message (letter/email/SMS)?

- R1: Nothing
- R2: Consulted other taxpayers
- R3: Consulted tax adviser
- R4: Tried to get in contact with RRA
- R5: Other, please specify.....

Q7b. If No to Q4, what did you do finally decided to do about the message (letter/email/SMS)?

- R1: Nothing
- R2: Checked my tax returns
- R3: Tried to get in contact with RRA
- R4: Other, please specify.....

Q8. In case you did not have any reaction to the message (R1 for Q5 and Q7), what were the reasons?

- R1: Wrongly addressed
- R2: No need to revise my declarations

- R3: Did not understand the purpose of the message (letter/email/SMS)
- R4: Did not know the mistake made
- R5: My business is no longer operating
- R6: Other, Please specify.....

Q9a. What is your opinion on the information contained in the message (letter/email/SMS) received from RRA?

- R1.....
- R2.....
- R3.....
- R4.....
- R5.....

Q9b. What kind of information would you ideally like to see in a message from RRA (letter/email/SMS)?

- R1 Arrears
- R2 Detailed information about spending of tax revenues
- R3 Information about filing period, tax rates and tax regimes
- R4: Other, Please specify.....

Q10. What is your opinion on the mode of delivery of this particular information you received from RRA?

- R1: Very efficient
- R2: Efficient
- R3: Inefficient
- R4: Very inefficient

Comments.....  
 .....  
 .....

Thank you for your cooperation.  
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## Annex 2 RRA staff questionnaire: administered 11-15 April 2016

### A2. RESPONDENT INFORMATION

1. Name of respondent
2. Position
3. Department
4. Extension/work phone number

### SECTION B: QUESTIONS RELATED TO RESEARCH OBJECTIVES

1. Have you been contacted by/ interacted with a taxpayer in the last four months (September – December 2015) for any reasons?
2. Was the interaction in any way related to the information letters sent to taxpayers by the RRA Commissioner General?
3. How many taxpayers approached you about these letters?
4. What were they seeking to know about the letters?
5. Do you have any information about who the taxpayers were?
6. What was your response to these taxpayers?  
 Have you heard of any other staff that might have had interaction with taxpayers in relation to the said letters?  
*(If no, end conversation, and if yes go to that other person and ask the same questions as above)*

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