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**TAXPAYERS' FINANCIAL STATEMENTS AUDIT AND ITS INFLUENCE ON REVENUE COLLECTION IN RWANDA.  
A CASE STUDY OF RWANDA REVENUE AUTHORITY (2015-2018)**

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A CASE STUDY OF RWANDA REVENUE AUTHORITY (2015-2018)**

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**ABSTRACT**

*The study titled "Taxpayers' financial statements audit and its influence on revenue collection in Rwanda. A case study of Rwanda revenue authority (2015-2018)". Thus, study was based on the following specific objectives to assess the effect of record keeping audit on Revenue collection in Rwanda Revenue Authority, to examine the effect of field audit on Revenue collection in Rwanda Revenue Authority, to analyze the effect of Taxpayer's registration check on revenue collection in Rwanda Revenue Authority, to investigate the effect of single-issue tax audit on revenue collection in Rwanda Revenue Authority and to assess the level of revenue collection growth in Rwanda Revenue Authority. The study used descriptive research design and correlational research design. The population of the study comprised of 138 employees of RRA in charge small, medium and large taxpayers at RRA. This study selected 103 employees of RRA as sample size by using stratified sampling techniques. The method of data collection was questionnaire and documentary review while method of data analysis was descriptive statistics, correlation analysis and multiple linear regression analysis. The findings revealed that there existed significance high and positive correlation between tax audit and tax revenue collection in Rwanda as correlation coefficient ( $r = .753$ ,  $P\text{-value} = 0.037 < 0.05$ ). The findings revealed that record keeping audit (RKA), field audit (FA), tax registration check (TRC) and single issue tax audits (SITA) have positive and significant relationship with tax revenue collection in Rwanda ( $\beta_1 = 0.321$ ,  $p\text{-value} = 0.034 < 0.05$ ;  $\beta_2 = 0.325$ ,  $p\text{-value} = 0.012 < 0.05$ ;  $\beta_3 = 0.459$ ,  $p\text{-value} = 0.000 < 0.05$ ) and  $\beta_4 = 0.273$ ,  $p\text{-value} = .007 < 0.05$ ) respectively. The study concluded that an improved taxpayer's financial statement audit would increase revenue collection in Rwanda and statistically significance.*

**Key words:** Taxpayers, financial statements audit, revenue collection.

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## INTRODUCTION

According to McKerchar and Evans (2009), the development of any nation depends on the amount of revenue generated and applied by the government on public infrastructure for the benefits of members of that society. No economy can grow without adequate resources for infrastructural development and provision of power and public utilities and services. Taxes, and tax systems, are fundamental components of any attempts to build nations, and this is particularly the case in developing or transitional nations.

Biber (2010) stated that the function of financial statements audit program in a modern tax administration must extend beyond merely verifying taxpayers reported obligations and detection of discrepancies among a taxpayer's declaration and supporting documentation. Taxpayer's financial statements audit may boost tax revenue in two ways: directly through assessment of additional taxes, and indirectly by improving taxpayer compliance with the tax laws and regulations (Barreca & Ramachandran, 2004). Therefore, for taxation to be effective in achieving both short and long-term goals in any economy, the level of tax compliance must be improved for efficient tax administration.

One measure that can be used to improve the level of tax compliance and revenue collection is taxpayers financial statements audit. Ola (2001) stated that taxpayer's financial statement audit helps to improve voluntary compliance by detecting and bringing into account those who do not pay correct amount of tax. Slemrod (2000) highlighted that taxpayer financial statements audit is one of the most effective policies to prevent tax evasion behavior hence revenue collection growth.

Before the tax audit, the tax auditors examine the information already collected by the Tax Administration and available from other sources. The documents and data to be examined in advance include the tax returns filed by the taxpayer, payment control data, tax recovery data, comparison data, advance rulings from the tax

authorities, information from various registers, and documentation of transfer pricing (in transfer pricing audits). The tax auditors must also familiarize themselves with the previous tax audit report on the taxpayer and the taxation practice and case law applicable to the taxpayer's sector.

Taxpayer audits are a central feature of the voluntary compliance system in the United States Federal individual income tax. Audits are thought to have a direct deterrent effect on the individuals actually audited.

Nasr (2015) stated that within EAC member states, there is very low tax to gross domestic product ratio is a common characteristic and for instance, over the past few years, lower than projected tax revenue has forced the government of Tanzania to cut its ambitious plans which reduced its capacity to finance public projects. Similarly, Despite the fast economic growth of Uganda, its tax to GDP ratio is still low (11% in 1997 to 13% now) and even Kenya the leading country in East-Africa, the tax to GDP ratio is still lower than the East African region ratio target of about 25%.

Taxpayers' financial statements audit affects revenue collection in a way that it promotes voluntary compliance of taxpayers, which leads to the growths of revenue. It also determines the accuracy of revenues so as to ensure the right taxes are submitted. With Taxpayers' audit, tax liability can be easily declared and matters that need adjustment are recognized. It also helps in collecting tax interests and penalties, which thereby raises revenue collection. Taxpayers' audit also helps in implementing changes to eradicate evasion. Therefore, Taxpayers' audit is positively related to revenue collection (Mirera, 2014).

Taxpayers audit enables the tax administration to control and ensure the taxpayers' compliance with tax laws thus this will increase tax revenue collected from taxpayers. One of the purposes of auditing is to detect errors and frauds, taxpayer's financial statements audit and investigation in Rwanda revenue authority aim at bringing to an end the loss

coming from tax evasion, fraud and corruption. In case there is a fraudulent event by taxpayers, taxpayer's auditing practices enables the tax authorities to find out the taxpayers who had avoided paying tax and paying the tax due with penalties and fines.

Taxpayer's financial statements audit is vital since it aids the government to minimize tax evasion and mobilize appropriate tax revenue by ensuring individual and organizations files appropriate tax return to support the budget. Taxpayers financial statements audit ensure strict compliance with tax law by taxpayers and improve intentional compliance.

Therefore, the prime purpose of this research is to learn the extent to which Taxpayers may have complied with the relevant statutory provisions of the tax Act concerning their audited financial statements. It therefore helps to sustain the confidence and integrity reposed in the self-assessment scheme currently in force in Rwanda, thereby enhancing voluntary compliance. However, how well this introduction of tax audit attracted commentaries and discussions on how influence tax collection in Rwanda. This study therefore seeks to examine the taxpayer's financial statements audit and its influence on revenue collection in Rwanda with reference Rwanda Revenue Authority

### **Objectives of the Study**

The general objective of this study was to assess the influence of taxpayers' financial statements audit on revenue collection in Rwanda, particularly in Rwanda Revenue Authority.

Specifically, the study achieved the following objectives;

- To assess the effect of record keeping audit on Revenue collection in Rwanda Revenue Authority.
- To examine the effect of field audit on Revenue collection in Rwanda Revenue Authority.
- To analyze the effect of Taxpayer's registration check on revenue collection in Rwanda Revenue Authority.

- To investigate the effect of single-issue tax audit on revenue collection in Rwanda Revenue Authority.
- To assess the level of revenue collection growth in Rwanda Revenue Authority

### **Problem Statement**

Taxes are the main Revenue for the government and thus the department or agent concerned should ensure they are collected in right way. Weaknesses in Revenue Administration lead to inadequate tax collections (Karemera, 2018).

In Rwanda, despite the Rwanda Revenue authority employed strategies, the failure to collect all the potential tax revenue is continuing, and the tax to GDP ratio is lower than their target, EAC and SSA average ratio (RRA, 2018). The low tax to GDP ratio implies that a lot of tax remains uncollected and so tax revenues collected are inadequate to finance government budget. For example, from 2012 to 2014 the tax to GDP ratio is averaged to 14.06% compared to EAC average of about 18%. Therefore, it is evident that the tax remains uncollected is causing inadequacy in the meeting of the government budget thus making it insufficient (ERCA, 2016).

Investigations made by RRA in 2017, identified cases of companies that issued fictitious EBM (VAT) invoices. The audit of these companies revealed falsely claimed input VAT amounting to Rwf 3,406,359,890 that had been utilized to suppress VAT amounts included in the VAT declarations. RRA started the recovery process from taxpayers involved in the fraudulent scheme (RRA, 2018). The existence of corruption, tax havens and increasing use electronic financial transactions pose major challenges in enforcing the tax laws. Without a matching increase in the professional and technological capacity of the revenue administration

Most taxpayer-driven failures or compliance risks have been addressed nearly exclusively in terms of regulatory enforcement through an audit-based approach. In more recent times, tax revenue

administrators have come to realize that the factors underlying taxpayers' compliance behavior in any specific risk area are varied and often complex, and are unlikely to be treated successfully with a 'single action' strategy, particularly one based exclusively on regulatory enforcement action such as audits and investigations.

Rutikanga & Mutarindwa (2014) states that tax audit enables the government of Rwanda to control and ensure the taxpayers' compliance with tax laws thus this will increase tax revenue collected from taxpayers. One of the functions of auditing is to detect errors and frauds, RRA's tax audit and investigation aim at stopping the loss, which comes from tax evasion, fraud and corruption. If there is a fraudulent event by taxpayers, auditing practices will enable the RRA to find out the taxpayers who had avoided paying tax and paying the tax due with penalties and fines.

## LITERATURE REVIEW

### Theoretical framework

#### Classical theory of tax compliance

Classical theory explains that taxpayers are trying to balance between the risk of being captured by tax agency on tax evasion and the benefits of tax evasion (Hayes *et al.*, 2015). Alabede *et al.* (2011) asserted that the deterrence theory depends largely on tax audit and penalty. They further stressed that this theory of tax compliance makes taxpayers to pay tax because of fear and sanctions. Trivedi and Shehata (2015), says that the deterrent theories suggest that taxpayers "play the audit lottery that is they make calculations of the economic consequences of different compliant alternative. Brooks (2016) says that classical theory of tax compliance is only based on economic analysis but social and psychological variables are equally important in understanding the issue of non-compliance to tax.

Braithwaith (2015) argued that if deterrence (that is the probability of detection and sanction severity) would be the most significant variable in explaining

compliance, rational individuals in most societies of the world would be non-compliant because the levels of deterrence are low. The theory has contributed to theory the fact that revenue authorities should seek audited statements or perform audits such as record keeping audit, field Audit, taxpayer's registration check and single issue tax audits to ascertain compliance which is leading to effective tax revenue collection in given country.

Theory is applicable to this study because RRA as government agency in charge of tax to become a world-class efficient and modern revenue agency, fully financing national needs mobilise revenue for economic development through efficient and equitable services that promote business growth and improve tax compliance among taxpayers in Rwanda should perform tax audit such as record keeping audit, field Audit, taxpayer's registration check and single issue tax audits to ensure that tax laws and regulations are respected and followed correctly in order to increase the level of tax-compliance among taxpayers as key strategies to improve level of tax revenue in Rwanda.

#### The Policeman Theory

This theory of auditing was formulated by Awe (2018) on assumptions that once monitoring is done on the systems at unspecified times then that is like police officer guarding a place and thus, called it policeman theory. It was further asserted that auditing is purely on the arithmetical accuracy and on the prevention and detection of fraud. This theory describes auditor's accountability. It limits an auditor's duty to detect and prevent fraud. As its name explains, it is like a police officer, protecting the place and region once surveillance is completed.

The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20<sup>th</sup> century, this was certainly the case. However, more recently the focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, however, still a hot topic in the debate on the



auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud (Mehdi, 2011).

The contribution of this theory to this study is that policeman theory explain how application of different tax audit such as record keeping audit, field Audit, taxpayer's registration checks and single issue tax audits play a significant role as policeman in order to detect and minimizing tax fraud among taxpayers as one of strategies to improve the level of tax revenue collection of given countries. This theory makes the auditor to detect and prevent errors and fraud in organizations or companies. It then adds a factor of monitoring to the auditing theory. This theory was used in this study because employees of RRA in department of tax auditing work as police to guide taxpayers to pay correct amount according to Rwanda government law if no some penalties have been introduced.

#### **Ability to Pay Theory**

The theory of ability to pay which considered tax liability in its true form, compulsory payment to the state without quid pro quo. It does not assume any commercial or semi-commercial relationship between the state and the citizens. According to this theory, a citizen is to pay taxes because they are able and his relative share in the total tax burden is to be determined by his relative paying capacity. This doctrine has been in trend for at least as long as the benefits theory. This theory was bound to be supported by socialist thinkers because of its conformity with the ideas and concepts of justice and equity. However, the doctrine received an equally strong support from nonsocialist thinkers also and became a part of the theory of welfare economics. The basic principle of this theory is that the burden of taxation should be shared by the members of society on the principles of justice and equity and that these principles necessitates that the tax burden is apportioned according to their relative ability to pay theory(Mitton, 2016)

This implies that the ability-to-pay taxation theory is that individuals who earn more money can afford to pay more in taxes. This theory implies that none taxpayers is obliged to excess tax to government and also the government should maintains that taxes should be levied according to a taxpayer's ability to pay. To follow this principal of this theory resulting to an increase tax compliance among taxpayers in any state over the world. Therefore this, theory was used in this study to understand the perception of tax collector's office on regarding to tax revenue collection through tax audit in Rwanda.

#### **Literature related to taxpayer's financial statements audit practices**

According to Badara (2012), tax audit objective includes to establish a viable and effective tax administration in order to deal with constantly changing economy, to put strategies in place in order to resolve tax dispute between the tax authority and the liable tax payers, to maintain a strong mechanism to deal with tax avoidance techniques which are available to various organizations, but are susceptible to tax abuse, to bring defaulting tax payers to the net of tax authorities, to prove the completeness, accuracy and timely filing of tax returns submitted by the tax payers.

Tax audit just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory. For a successful audit, it is necessary that the auditor organizes his work in such a way that the assignment is accomplished completely and efficiently (OECD, 2016).Tax audit is important because of its support to the government in collecting suitable tax revenue essential for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the tax payers, to organize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers, to improve the degree of voluntary compliance by tax payers

and to ensure that the amount due is collected and remitted to government (Niu, 2011).

### **Types of tax audit**

There are different types of tax audit practices in different countries. This study empathized on the following type of tax audit such as record keeping audit, field Audit, taxpayer's registration checks and single-issue tax audits.

**Field tax audit:** By the nature and scope of their work, regular assessing officers can only carry out limited desk audit through examination of accounts and returns. It is in a bid to check this handicap as well as to improve on tax compliance that tax authorities carry out field audit exercise on taxpayers by physically conducting the exercise in the office of the taxpayer (Okonkwo, 2014). The taxpayers are however formally notified of the arrival of the auditor prior to the commencement of the audit and the requirements of the auditors in terms of documents to be audited will be requested for in advance. Field audit involves physical verification of documentary evidence and materials at the premises of a taxpayer to confirm the facts and figures of the tax returns filed by corporate taxpayers (Okonkwo, 2014).

**Record registration check:** Record registration check is a form of unannounced visits to taxpayer's premises for new enterprises (mainly small and medium sized) to detect businesses operating outside the tax system and a quick check on businesses to establish that they are correctly registered. It should not take more than half a day (OECD, 2016). According to Eriksen and Fallan (2016) in this visit, the tax officer ensures that the taxpayer: (1) has a basic understanding of their obligations; (2) keeps appropriate records (book keeping review should be mandatory in case of voluntary compliance when the turnover of the taxpayer is below the registration threshold); and (3) issues proper invoices when required by law. The main objective of the record keeping audit is to enable the tax agency to review and examine the taxpayer's records in order to ensure tax compliance, and keeping adequate records

progressively improving. This type of audit simply provides each self-report of income an equal chance of being chosen for verification by an audit Badara (2012).

**Record keeping audit:** Record Keeping Audit is unannounced visits to the taxpayers' business premises to check whether the appropriate records are kept and VAT invoices are issued. The visit points out the obligations of the taxpayer regarding the keeping of records and followed up with penalties if the taxpayer continues to disregard record keeping requirements (OECD, 2016).

**Single-issue tax audits:** According to Apostolou *et al.* (2013), issue oriented audit focus on a single tax type and covers no more than one or two reporting periods. It should be directed at verifying items for which errors have been detected in the returns (typical ratios, gross revenues, comparison of gross sales to imports). Single-issue audits are confined to one item of potential noncompliance that may be apparent from examination of a taxpayer's return. Given their narrow scope, single-issue audits typically take less time to conduct and can be used to review large numbers of taxpayers involved in similar schemes to conceal non-compliance (OECD, 2016).

Single-issue audits are confirmed to one item of potential non-compliance that may be apparent from examination of a taxpayer's return. Issue audits are usually focussed on a single tax type, single aspect or single tax period. Refund audits are a type of issue audit, focused on tax declarations claiming refunds from RRA. Issue audits may be desk-based or involve visits to the taxpayer's business premises. In the case of issue audits, taxpayers will be notified at least three days (3) before the audit is conducted. The postponement of such an issue-oriented audit cannot exceed seven (7) working days (RRA, 2019).

### **Literature related to revenue collection**

Tax revenue is defined as the revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer

of property, and other taxes. Taxes revenue are one of the major revenue for a country in where taxes are collected from citizens, companies, investors and so on to generate economy. There have several impacts of taxes due to economic growth whether it is positive or negative impacts (Badara, 2012). According to Bofah (2015), taxes refer to the revenue that is collected by the government to provide services and finance themselves. According to Atawodi and Ojeka (2014), the measurement of tax revenue collection include the level of performance tax revenue collection, the low cost of tax collections measured tax revenue collected, effective tax compliance among taxpayers.

Effective tax revenue collection enables the government to meet its expenses and for the provision of general benefits, effective tax collection is the lifeblood of any government as it is the principal source of government revenue, and the effectiveness of any government largely depends on its ability to collect tax effectively (Saratu, 2015). Effective tax collection has a significant impact on economic development as it helps the government to raise revenue for the purpose of financing social services, achieve regional development, reduce income inequalities, ensures economic price stability, encourage investment and defend local market on domestic products through heavy taxes on unnecessary imports (Afuero & Okoye, 2014). Effective tax revenue collection and good tax system help the government to achieve core economic, political and social objectives such as, revenue generation for the sustenance of economic and social needs, control consumers demand, encourage investment and savings, fight economic depression, inflation and deflation, guarantee equitable distribution of income and wealth, control the general trend of the national economy, and ensure a proper allocation of national resources (Onyeka, 2016).

The effective tax revenue collection is the most important instrument which government puts resources together. Governments collect taxes to fund public services, assist in the equitable

redistribution of wealth and income and for regulation of some activities within the economy (Mutua *et al.*, 2012). Worldwide, the political, economic and social development of any country depends on the amount of revenue generated for the provision of infrastructure in that given country. However, one means of generating the amount of revenue for providing the needed infrastructure is through a well-structured tax collection system. According to Azubike (2009), tax is a major player in every society of the world. The effective tax collection is an opportunity for government to collect additional revenue needed in discharging its pressing obligations. Effective tax collection offers itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an environment conducive to the promotion of economic development.

#### **Performance tax revenue collected**

This is the amount of revenue collected to finance the government budget against what was projected. It will be assessed by comparing total revenue collected and revenue projections looking at increase of revenue in terms of volume, reduction of foreign aid, and implementation of government plans (Onoja & Iwarere, 2015). The main reason of imposing taxes is to raise revenue for financing public activities such as building schools, roads, and hospitals, maintain security of nationals, and safeguard territorial integrity thus playing a pivotal role in maintaining a political, social and economic stability. Taxation is one tool that government uses for raising revenue to carry out its role of financing government expenditure on public good and services (Abiola & Asiweh, 2012).

The performance of tax revenue collected by given counties is good when actual tax collected in given fiscal years is great than or near to the target tax revenue implies that there is effective performance of tax revenue collected in that fiscal years while the actual tax collected in given fiscal years is less than to the target tax revenue it means that there is poor performance of tax collected in that fiscal years (RRA, 2018).



### **Cost of tax collections**

This is defined as the money spent in tax collection process. It will be assessed by comparing the annual costs of administration incurred by RRA with the total revenue collected throughout the fiscal year. A downward trend is a proof of improved efficiency. Cost of tax collected ratio is computed by taking the actual cost of tax collections in fiscal years divided by the target Cost of tax collections in fiscal years multiple by hundred. When the actual Cost of tax collections in given fiscal years is less than to the target cost of tax revenue collected implies that there is effective utilization of company resource in that fiscal years while the actual cost of tax collections in given fiscal years is great than to the target cost of tax collections it means that there is ineffective utilization of company resource in that fiscal years (RRA, 2018).

According to Okello (2014), the cost effective systems in tax collections are those that encourage the majority of taxpayers to voluntarily meet their tax obligations and leave the tax officials to put more efforts in dealing with those who do not comply. Atawodi and Ojeka (2014) conclude saying that the minimization of cost of collection and reduction of inefficiencies attached to high costs attached to tax collection would increase considerably the growth in revenue and wealth in the country. This study will measure the level of Tax Revenue Performance in Rwanda basing on cost of collection.

### **Tax compliance**

Tax compliance is the degree to which a taxpayer complies with the tax rules of his country, for example, by declaring income, filing a return, and paying the tax due in a timely manner. Individuals differ on how to define the term tax compliance, but according to Ladi and Henry (2015), tax compliance is multi-faceted measure and theoretically, it can be defined by considering three distinct types of compliance such as payment compliance, filing compliance reporting compliance. OECD (2016) advocates dividing compliance into

categories in considering definitions of tax compliance.

Tax compliance is measured in three ways that is payment, filing and reporting compliance. The three measures provide different views of the compliance puzzle, and when placed next to one another provide a comprehensive picture of the overall level of compliance. The filing compliance measure tracks the percent of required returns that are timely filed. The reporting compliance measure tracks the percent of true tax liability that is correctly reported. The payment compliance measure tracks the percent of reported tax that is timely paid (Ladi & Henry, 2015). The tax compliance is measured by proportion or percentage of taxpayers file returns due on time compared to the total taxpayers in given areas or in given nation. The tax compliance is also measured by the proportion or percentage of taxpayers who correctly report its tax liabilities compared to the total taxpayers in given country (Kasipillai & Wasao, 2014).

### **Empirical studies**

Mohammad (2019), conducted the study on the effects of tax audit on tax revenue collection in Afghanistan Revenue Department. The aim of this thesis is to determine the impacts of tax audit on tax revenue collection in (ARD). The study employed a quantitative approach. It adopted both descriptive and analytic approaches to find out the relationship between tax revenue collection and tax reassessment. The data contain 46 random private companies that were registered in the ARD, audited in 2016. The findings revealed that there is weak positive significant relationship between tax audit and tax revenue collection at  $r=0.438$ ,  $p\text{-value}<0.05$ ). Thus, the study recommends that the ARD should undertake regular tax reassessment to obtain more tax revenue to satisfy the current UN demands, and target revenue from IMF, and decrease dependence on international assistance. Maiga (2015) found that there was a positive correlation between tax audit and the revenues generated. The estimates of the revenue growth

model of Directorate General of Taxes in Mali show that it is influenced by changes in the collections of taxes.

Nyakamba (2014), studied the effects of tax audit on revenue collection: case of Kenya Revenue Authority. The study was on the effects of tax audit on revenue collection a case of the Kenya Revenue authority. This study adopted a descriptive approach. Data was analyzed using T-test analytical model. The findings revealed that the parametric Pearson correlation or r-value is significant for tax paid before audit and tax paid after audit as it clearly indicates there is an increase in the tax paid after audit, this is clear for random tax audit, cut-off tax audit and conditional tax audit. The study recommends that the tax audit reports be submitted to the public and a standard procedure to be found in choosing the companies that random audit is conducted

Niu (2011) in a study found a positive association between the audit and the voluntary compliance. The finding suggests that the audit productivity may be under estimated in many studies in the literature. It reminds us that when considering the productivity of the audit work. Besides the direct audit collections, we should also take the audit impact on the voluntary compliance into consideration. For this reason, the finding may provide tax professionals and tax authorities with incentives to strengthen the audit power and to better structure their audit organization to generate more revenue for the state. Niu (2011) historical population data of a New York State economic sector were used in this study instead of experimental data or randomly selected sample data often used in the literature.

The results of both Ordinary Least Squares (OLS) and Time Series Cross Section (TSCS) autoregressive modelling methods. The results of both methods suggest that after an audit, a firm would report a higher sales growth rate Olatunji and Ekundayo (2019), conducted study on the effects of tax audit on tax compliance and remittance of tax revenue in Ekiti State. The study examined the effects of tax

audit on tax compliance and remittance of tax revenue in Ekiti State. A close-ended questionnaire was used to gather the needed data and an analysis was carried out through correlation matrix and multiple regression. The study was discovered that desk audit, field audit, back duty audit and registration audit had a positive significant effect on tax compliance and remittance in Ekiti State with the p-value of 0.001, 0.000, 0.000 and 0.000 respectively.

It was therefore recommended that Ekiti State government should intensify tax audit through the employment of more competent staffs and intermittent training in order to cause increase in tax compliance level in the State. Owusu (2019), studied on the effect of tax audit role in revenue mobilization in Ghana revenue authority: the case of large taxpayer office. The research examined tax compliance and revenue mobilization and possible challenges confronting Tax Auditors. Data was gathered from the Large Taxpayers Office on Tax Audit Assessment and Tax Revenue. Also questionnaire was designed where 30 Tax Auditors were sampled to ascertain the challenges that confront tax audit. Probit regression, Descriptive statistics and Correlation coefficient were employed in this study. The study found a positive significant relationship between compliance level and external auditor type.

This can be explaining that, there is a high probability of firms to comply with tax regulations if their external auditors are among the biggest four audit firms in Ghana. Big firms are capable of compelling taxpayers to comply probably because of goodwill. In addition, the study found that Tax Audit in itself enhances compliance as well as revenues mobilization. Adediran *et al.* (2013), studied on the impact of Tax Audit and Investigation on Revenue Generation in Nigeria. This study examines the impact of tax audit and investigations on revenue generation in Nigeria. The aim is to determine if tax audit and investigations can actually increase the revenue base of the government and if it can stamp out the incidence of

tax evasion. Data were collected through the primary sources from four hundred and ten respondents who are staff of the Federal Inland Revenue Service and Edo State Board of Internal Revenue.

The findings are that Tax audit and investigations can increase the revenue base of the government and can stamp out the incidents of tax evasion in the country. It was recommended that Tax audit and investigations should be carried out more often and as thorough as possible to accomplish its task of increasing the revenue base and stamping out tax evasion in the country. Onoja and Iwarere (2015), conducted the study on the effects of Tax Audit on Revenue Generation: Federal Inland Revenue Service, Abuja Experience. This study explores the effects of tax audit on revenue generation in Federal Inland Revenue Service.

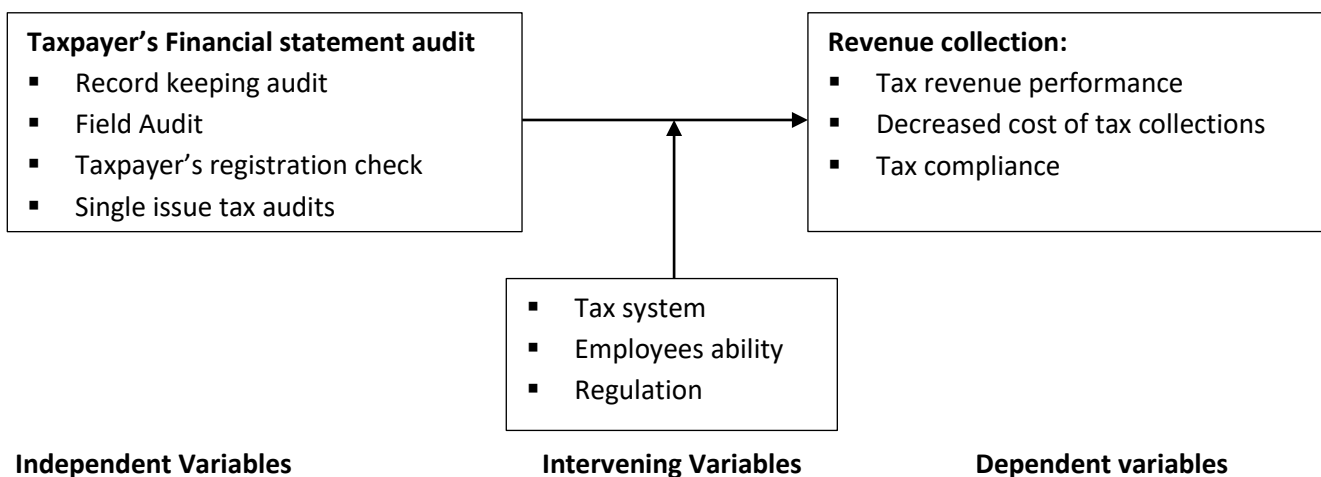
The population of the study consists of the staff of the Federal Inland Revenue Service. The questionnaire was used to generate the data. Finding revealed that tax audit has significant effects on revenue generation in Federal Inland Revenue Service and tax audit has a positive relationship with the revenue generation in Federal Inland Revenue Service. The study recommends that they is a need for tax audit department autonomy to be able to carry-out their responsibility effectively as specified in Federal Inland Revenue Service Establishment Act 2007. Harelimana, (2018), examined the effect of tax

audit on revenue collection in Rwanda. The purpose of the study was to determine the effects of tax audit on revenue collection in Rwanda.

The study is limited to the 110 respondent of Headquarter of the RRA (RRA) in Kigali. Data analysis involved descriptive statistical and correlation and regression analysis. The findings revealed that that tax administration, revenue protection system and tax automation have positive and significant effect on tax revenue collection ( $\beta_1= 0.162, p = 0.03 < 0.05, \beta_2= 0.194, p = 0.014 < 0.05$  and  $\beta_3= 0.211, p = 0.011 < 0.05$ ), respectively. This shows that 1 per cent increase in tax administration, revenue protection system and tax automation will lead to 0.162, 0.194 and 0.211percent increase on tax revenue collection. Therefore, Tax audit actually has an effect to revenue collection as according to the t–tests there is significance in the correlation between tax collected before the audit and after the audit. That in essence means that the more the tax audit conducted the more revenue is collected.

**Conceptual framework**

Conceptual framework is an analytical tool with many variations and contexts. It is used to make conceptual distinctions between the variables and organize ideas involved in a study. In this section, the researcher tried to establish the relationship between the independent and dependent variable of this research by highlighting different indicators of each variable.



**Figure 1: Conceptual Framework**

From the conceptual framework model above, the independent variables "Taxpayers' financial statements audit" is indicated by Taxpayers' registration, Tax audit Procedure, Tax audit Laws is moderated by the dependents variables "Tax collection" indicated by Compliance, Revenue performance. However, the existing relationship between these variables is moderated by other variables "moderating variables" Tax system, Employees ability, Regulation

## METHODOLOGY

The study used descriptive research design and correlational research design.

The study used both primary and secondary data. Primary data was collected from tax Audit division staff (tax audit officers) by means of questionnaire method. The secondary data was obtained from the report of RRA to analyze the influence of taxpayers financial statements audit to the revenue collection for the periods of 2015 up to 2018.

The total population in this study was 138 employees of RRA Head quarter in charge of tax collection and tax audit only.

The sample size was 51 officers in charge of tax collection and tax audit in large taxpayers, 13 Officers in charge of tax collection and tax audit medium business, 74 Officers in charge of tax collection and tax audit small business.

In this study, stratified random sampling was used. Stratified random sampling is generally applied in order to obtain representative sample by adopting proportional. This technique was used to have a representative from the department because taxpayer's financial statements audit is concern for both large taxpayer's office and small and medium taxpayer's office.

The data in this study was computed and analyzed using Statistical package for Social sciences (SPSS) which is software for data analysis.

## FINDINGS

### Records keeping audit used by RRA

The study sought to assess the perception of respondents on tax records keeping audit used by RRA respondents were asked whether agreed or disagreed with the statements regarding to tax records keeping audit. The results were summarized in the following tables.

**Table 1: Records keeping audit used by RRA**

	SD		D		N		A		SA		Mean	STD	
	fi	%	fi	%	fi	%	fi	%	fi	%			
The tax officer ensures that the taxpayer keeps appropriate records	0	0.0	8	7.8	5	4.9	11	10.7	79	76.7	4.56	.90	
Financial statements and records of all potential taxpayers are examined annually	2	1.9	9	8.7	5	4.9	13	12.6	74	71.8	4.44	1.05	
Taxpayers have a legal obligation to avail to the auditors the books of account and all records related to the controlled transaction	2	1.9	3	2.9	4	3.9	25	24.3	69	67.0	4.51	.86	
Auditor have appropriate powers of access to get information to make decision in audit activity	2	1.9	0	0.0	0	0.0	9	8.7	92	89.3	4.83	.61	
Tax officer of RRA review of financial statements to check the accuracy of tax returns	2	1.9	6	5.8	1	0.9	13.6	16	15.5	65	63.1	4.32	1.04
<b>Overall mean</b>											<b>4.53</b>	<b>0.89</b>	

The findings in table 1 show that the majority 76.7% of respondents strongly agreed that the tax officer ensures that the taxpayer keeps appropriate

records with (very high mean score = 4.56, St. Dev=0.90) which implies there is strong evidence of existing fact and heterogeneity response. This

findings is consistent with Ohando (2014), found that tax records keeping audit is the most effective method of verifying additional information in order to get the best possible picture of the business and also find that besides the fundamental role of detecting and preventing noncompliance, tax auditors also have to interpret complex provisions of the tax laws, carry out thorough examination of the records of the taxpayer, as well as engage in numerous interactions with them, since the auditors represent the tax revenue body.

The results from employee of RRA indicated that the majority 71.8% of respondents strongly agreed that financial statements and records of all potential taxpayers are examined annually with (very high mean score = 4.44, St. dev=1.05) which implies there is strong evidence of existing fact and heterogeneity responses. The findings are in agreement with William *et al.*, (2008), discovered that is used by tax auditors to examine financial statements and records of all potential taxpayers to discovers misclassification and misreporting made my taxpayers in from creation of business transactions, analyze and record the transactions in the journals by account name, post information from journals to ledgers, prepare a trial balance and journalize adjusting entries.

The results from employee of RRA indicated that the majority 67% of respondents strongly agreed that taxpayers have a legal obligation to avail to the auditors the books of account and all records related to the controlled transaction with (very high mean score = 4.51, St. dev=0.86) which implies there is strong evidence of existing fact and heterogeneity responses. This findings are consistent with Udu & Feinstein (2016), found that tax auditors used tax records keeping audit as ways by which management can discharge the responsibility of detecting and preventing fraud, waste, abuse and errors is by instituting an effective internal control system

The results from employee of RRA indicated that the majority 89.3% of respondents strongly agreed that auditor have appropriate powers of access to

get information to make decision in audit activity with (very high mean score = 4.83, St. dev=0.61) which implies there is strong evidence of existing fact and heterogeneity responses. The findings are in agreement with RRA(2018) report indicating that tax records keeping audit are used by RRA regularly and randomly in all departments as effective tool in revenue management because internal auditors are employees by RRA hence they are better placed to understand the accounting systems, the control procedures and the control environment.

The results from employee of RRA indicated that the majority 63.1% of respondents strongly agreed that tax officer of RRA review of financial statements to check the accuracy of tax returns with (very high mean score = 4.32, St. dev=1.04) which implies there is strong evidence of existing fact and heterogeneity response. It is believed that internal controls induce discipline in the organization's workforce.

Risk resulting from failure to safeguard assets from theft and failure to maintain adequate controls to ensure adequate accounting records are mitigated or reduced (Onoja & Iwarere, (2015).The overall views of employees of RRA on tax records keeping audit used by RRA was very high mean = 4.53 and standard deviation of 0.89 which implies there is strong evidence of existing fact that tax records keeping audit was used by RRA and heterogeneity responses. Taxpayers shall maintain their own book of accounting records and at the end of the year shall submit to the tax authority a balance sheet and a profit and loss statement supported by appropriate vouchers and document. It concluded that those taxpayers maintain books of accounts with the support of appropriate vouchers and documents. This implies that records examination was used by employees of RRA to detect false accounting include the examination of books and documents conducted at the taxpayer's business office or branches, counterpart examinations and examination of bank accounts.



This findings are in the line with Badara (2012) stated this type of audit simply provides each self-report of income an equal chance of being chosen for verification by an audit which implies that RRA conduct tax records keeping audit in order to gather information on the “health” of the tax system (including patterns of taxpayers’ compliance behaviour) that can assist overall revenue administration by gathering critical information required to form judgments on overall levels of tax compliance and also to records keeping audit may bring to light information on evasion and avoidance

schemes involving large numbers of taxpayers that can be used to mount major counter-abuse projects.

#### Field audit used by RRA

The study sought to assess the perception of respondents on field audit used by RRA. The respondents were asked whether agreed or disagreed with the statements regarding to field audit. The results were summarized in the following tables.

**Table 2: Field audit used by RRA**

	SD		D		N		A		SA		Mean	STD
	fi	%	fi	%	Fi	%	fi	%	fi	%		
Tax officer in RRA used physical checks for transactions, vouchers and other aspects type of tests to check the accuracy of tax returns.	1	1.0	7	6.8	9	8.7	11	10.7	75	72.8	4.48	.98
Field audit techniques are effective in detecting fraud and determining the accurate tax liabilities	0	0.0	8	7.8	3	2.9	11	10.7	81	78.6	4.60	.88
Tax officer of RRA used field audit to examine taxpayers’ books and records to determine whether the correct amounts were reported on the tax returns.	0	0.0	11	10.7	5	4.9	3	2.9	84	81.6	4.55	1.00
Field tax audit help taxpayer take precautions to avoid further escalations of penalties of tax evaded	2	1.9	4	3.9	6	5.8	16	15.5	75	72.8	4.53	.92
Field tax audit is used to assess and recover the amount of taxes evaded	4	3.9	2	1.9	2	1.9	16	15.5	79	76.7	4.59	.93
Field tax audit help to detect tax evaded by taxpayers	4	3.9	7	6.8	5	4.9	22	21.4	65	63.1	4.33	1.10
Tax officer of RRA visit tax payer to ensures tax payer issues proper invoices as required by Rwandan law	1	1.0	6	5.8	7	6.8	13	12.6	76	73.8	4.52	.93
<b>Overall mean</b>											<b>4.51</b>	<b>0.96</b>

The results from table 2, indicate that the majority 72.8% of respondents strongly agreed that tax officer in RRA used physical checks for transactions, vouchers and other aspects type of tests to check the accuracy of tax returns with (very high mean score = 4.48, St. dev=0.98) which implies there is strong evidence of existing fact and heterogeneity responses. This findings is consistent with Onoja and Iwarere (2015), found that field audit was used

by tax auditors to checks whether business transaction made by companies are recorded correctly according to tax law.

The results from employee of RRA indicated that the majority 78.6% of respondents strongly agreed that field audit techniques are effective in detecting fraud and determining the accurate tax liabilities with (very high mean score = 4.60, St. dev=0.88)

which implies there is strong evidence of existing fact and heterogeneity responses.

This is supported by the empirical review where Obonyo (2017), in her study indicated that while planning their annual audit plan, internal auditors should consider the assessment of fraud risk and review management's fraud management capabilities

periodically and they should regularly and closely communicate with those responsible for risk assessments in the organization and also others in key roles throughout the organization, to ensure timely fraud risk management.

The results from employee of RRA indicated that the majority 81.6% of respondents strongly agreed that tax officer of RRA used field audit to examine taxpayers' books and records to determine whether the correct amounts were reported on the tax returns with (very high mean score = 4.55, St. dev=1.00) which implies there is strong evidence of existing fact and heterogeneity responses. This findings are in the line with Gebeyehu (2008), found that field audit is used by tax auditors to check the source of documents presented in the taxpayers' income tax returns to ensure that tax laws and regulations are followed properly.

The results from employee of RRA indicated that the majority 72.8% of respondents strongly agreed that field tax audit help taxpayer take precautions to avoid further escalations of penalties of tax evaded with (high mean score = 4.53, St. dev=0.92) which implies there is strong evidence of existing fact that field tax audit help taxpayer take precautions to avoid further escalations of penalties of tax evaded and heterogeneity responses. This findings are in agreement with Badara (2012), found that the Relevant Tax Authority (RTA) employed filed tax audit towards achieving target revenue, that tax audit reduce the problems of tax evasion, that taxpayers do not usually cooperated with tax audit personnel during the exercise.

The findings indicated that the majority 76.7% of respondents strongly agreed that field tax audit is

used to assess and recover the amount of taxes evaded with (very high mean score = 4.59, St. dev=0.93) which implies there is strong evidence of existing fact that and heterogeneity responses. The findings indicated that the majority 63.1% of respondents strongly agreed that field tax audit help to detect tax evaded by taxpayers with (very high mean score = 4.33, St. dev=1.1) which implies there is strong evidence of existing fact and heterogeneity responses. This findings are in the line with COSO (2017) also indicates that fraud risk assessment addresses the risk of fraudulent financial and non-financial reporting, asset misappropriation, and illegal acts -including corruption.

The results from employee of RRA indicated that the majority 73.8% of respondents strongly agreed that tax officer of RRA visit taxpayer to ensures taxpayer issues proper invoices as required by Rwandan law with (very high mean score = 4.52, St. dev=0.93) which implies there is strong evidence of existing fact and heterogeneity responses. Petrascu and Tieanu (2014) who indicate in their study that the entity's capability to prevent and detect fraud depends on a correct and complete assessment of fraud risks also support the findings of the study.

The overall views of tax collectors on field audit used by RRA was very high mean = 4.51 and standard deviation of 0.96 which implies there is strong evidence of existing fact that field audit was used by RRA and heterogeneity responses. After reviewing a taxpayer's declaration, considering information about the taxpayer's compliance history, the team committee will apply appropriate risk criteria in selecting a taxpayer for audit using manual based selection system. This finding indicated that the taxpayers audit case selection is performed with a committee rather than an individual auditor's for the purpose of fair and transparent audit case selection. This implies that field audit is more elaborate and broader than office audit because it transcends the office of the auditor.

This implies that field audit allows physical verification of taxpayers claims to confirm the facts and figure of the returns. This implies that the application of tax field audit can assist clarify the application of the law for individual taxpayers and to identify improvements required to record keeping and thus may contribute to improved compliance by taxpayers in the future. The employees of RRA said that field Audit was used to identify areas of the law that require clarification and that may bring to light areas of the tax laws that are causing confusion and problems to large numbers of taxpayers and thus require further efforts by the revenue body to clarify the laws' requirements and/or to better educate taxpayers on what they must do to comply into the future. Major in the discoveries made in the study is that tax audit has significant positive impact on tax compliance and remittance in Rwanda.

This discovery attributed rapid increase in tax compliance and remittance to the effect of desk

audit, field audit, back duty audit and registration check. The argument that ensues from this discovery is that tax audit can engender increase in the compliance and remittance level of taxpayers in Ekiti State. This outcome corroborated the findings of Onoja and Iwarere (2015), they concluded that tax audit has significant effects on revenue generation. Similarly, this discovery gives credence to the conclusion of Onuoha and Dada (2016). They submitted that tax audit and investigation are inevitable to improve on the collection of tax revenues in Nigeria.

#### Record registration check used by RRA

The study sought to assess the perception of respondents on tax record registration check used by RRA. The respondents were asked whether agreed or disagreed with the statements regarding to tax record registration check. The results were summarized in the following tables.

**Table 3: Record registration check used by RRA**

	SD		D		N		A		SA		Mean	STD
	fi	%	fi	%	fi	%	fi	%	fi	%		
RRA make unannounced visits to taxpayer's premises for new enterprises to detect businesses operating outside the tax system	0	0.0	1	1.0	5	4.9	12	11.7	85	82.5	4.76	.59
RRA make unannounced visits to taxpayer's premises for new enterprises to detect if they are correctly registered.	0	0.0	11	10.7	6	5.8	15	14.6	71	68.9	4.42	1.01
Tax officer of RRA review of financial statements and returns type of tests are conducted to check the accuracy of tax returns.	0	0.0	3	2.9	5	4.9	8	7.8	87	84.5	4.74	.69
The tax officer ensures that the taxpayer issues proper invoices when required by law.	2	1.9	2	1.9	11	10.7	21	20.4	67	65.0	4.45	.90
<b>Overall mean</b>											<b>4.59</b>	<b>0.79</b>

The results from table 3, revealed that the majority 82.5% of respondents strongly agreed that the RRA

Make unannounced visits to taxpayer's premises for new enterprises to detect businesses operating

outside the tax system with (very high mean score = 4.76, St. dev=0.59) which implies there is strong evidence of existing fact and heterogeneity response. The results from employee of RRA indicated that the majority 68.9% of respondents strongly agreed that RRA Make unannounced visits to taxpayer's premises for new enterprises to detect if they are correctly registered with (very high mean score = 4.42, St. dev=1.01) which implies there is strong evidence of existing fact and heterogeneity response.

This results are in agreement with Soyinka *et al.* (2016) asserts that the basic registration functionality of a tax IT system includes the storing and maintenance of taxpayer identifying information, the automatic issuance of TINs (identification number) and taxpayer certificates and the automatic determination of taxpayer filing requirements. He also said that effective registration with tax digital tax systems uses unique TINs to facilitate exchange of information between government agencies to ease the detection of noncompliance. Digital Tax integrates registration across taxes to allow for a single view of the taxpayer during audit or collections, centralizes the registration database to allow for effective non-compliance monitoring, provides a single facility to the taxpayer to register for all taxes to simplify compliance and interfaces with the e-tax system allowing new taxpayers to register online.

The results from employee of RRA indicated that the majority 84.5% of respondents strongly agreed that tax officer of RRA review of financial statements and returns type of tests are conducted to check the accuracy of tax returns with (very high mean score = 4.74, St. dev=0.69) which implies there is strong evidence of existing fact and heterogeneity response. The overall views of employees of RRA on tax record registration check used by RRA was very high mean = 4.59 and

standard deviation of 0.79 which implies there is strong evidence of existing fact that tax record registration check was used by RRA and heterogeneity responses. According to Palil & Mustapha (2011), registration is the process, by which the tax administration collects basic taxpayer identifying information, such as names, addresses and legal entity types.

He further asserts that this information allows the tax administration to know who its taxpayers are, where they are located and whether they are active or inactive. According to George *et al.* (2015), modern tax administrations also collect compliance information, such as business activity types or estimated turnover, to plan future compliance activities. During registration, most tax administrations get a registration certificate and provide the new taxpayer with information on his or her filing and payment obligations.

#### **Level of tax revenue collection collected by RRA in Rwanda**

The researcher sought to assess the perception of respondents on the level tax revenue collection. The respondents were asked whether agreed or disagreed with the statement concerned with tax revenue collection such as tax revenue performance, decreased cost of tax collections and tax compliance. Descriptive statistics such as mean, standard deviation, frequency and percentage were computed. The results from the respondents were summarized in the subsection below.

#### **Tax compliance level**

The researcher sought to assess the perception of respondents on the tax compliance level. The respondents were asked whether agreed or disagreed with the statement concerned with tax compliance. The results were summarized in the table below.

**Table 4: Tax compliance level**

	SD		D		N		A		SA		Mean	STD
	fi	%	fi	%	fi	%	fi	%	fi	%		
The business files its tax returns on time over the last 5 years	1	1.0	0	0.0	0	0.0	2	1.9	100	97.1	4.94	.42
The business pays the right amount of taxes on time over the last 5 years	10	9.7	7	6.8	3	2.9	5	4.9	78	75.7	4.30	1.36
The taxpayers reported the correct amount over the last 5 years.	0	0.0	6	5.8	4	3.9	14	13.6	79	76.7	4.61	.82
The number of taxpayers who had TIN number has been increased over the last 5 years	14	13.6	1	1.0	0	0.0	17	16.5	71	68.9	4.26	1.38
<b>Overall mean</b>											<b>4.52</b>	<b>0.99</b>

**Source: Primary data (2022)**

The results from table 4, revealed that that the majority 97.1% of respondents strongly agreed that the the business files its tax returns on time over the last 5 years with (very high mean score = 4.94, St. Dev=0.42) which implies there is strong evidence of existing fact and homogeneity response. The results from employee of RRA indicated that the majority 75.7% of respondents strongly agreed that the business pays the right amount of taxes on time over the last 5 years with (very high mean score = 4.30, St. dev=1.36) which implies there is strong evidence of existing fact and heterogeneity response.

This findings are in line with Palil and Mustapha(2011) elucidates that the taxpayer compliance literatures is a comprehensive and emerging body of knowledge and incorporates numerous disciplines including economics and psychological factors. Most empirical studies supported the hypothesis that increasing audit probability will lead to an increase in compliance behaviour such as the submission of a true and correct return.

The results from employee of RRA indicated that the majority 76.7% of respondents strongly agreed that the taxpayers reported the correct amount over the last 5 years with (very high mean score = 4.61, St. dev=0.82) which implies there is strong evidence of existing fact and heterogeneity

response. These results are consistent with Samuel & Rutikanga (2014) is of the view that the taxpayers are unprincipled economic evaders who would evaluate the likely costs and benefits of evasion behaviour compared to those of compliance. Some economic theories suggest that taxpayers calculate the opportunity cost of evading tax (Onoja & Iwarere, 2015).

The results from employee of RRA indicated that the majority 78.6% of respondents strongly agreed that the tax officer ensures that the number of taxpayers who had TIN number has been increased over the last 5 years with (very high mean score = 4.26, St. dev=1.38) which implies there is strong evidence of existing fact and heterogeneity response. The overall views of employees of RRA on tax compliance level was very high mean = 4.52 and standard deviation of 0.99 which implies there is strong evidence of existing fact that tax compliance level at very high extent and heterogeneity responses. These findings are in the line with Badara (2012) who found that tax audit helped Tax Authority towards achieving target revenue, the tax audit reduces the problems of tax evasion, tax avoidance and other tax irregularities, tax audit aimed at ensuring the submission of accurate and current returns for proper computation, awareness on tax rules and regulation increase compliance and reduce non-compliance tax payers.



### Level of decrease of cost of tax collection

The researcher sought to assess the perception of respondents on the level of decrease of cost of tax collection. The respondents were asked whether

agreed or disagreed with the statement concerned with decrease of cost of tax collection. The results were summarized in the table below.

**Table 5: Level of decrease of cost of tax collection**

	SD		D		N		A		SA		Mea	STD
	fi	%	fi	%	fi	%	fi	%	fi	%	n	
The rate the cost of filing a tax return has been reduced over the last 5 years	1	1.0	16	15.5	5	4.9	5	4.9	76	73.8	4.35	1.18
The rate the cost of hiring a tax agent has been reduced over the last 5 years	0	0.0	0	0.0	2	1.9	13	12.6	88	85.4	4.83	.42
The cost of tax audit has been reduced over the last three years	2	1.9	5	4.9	0	0.0	16	15.5	80	77.7	4.62	.88
Implement procedural and tax law changes to improve collection and reduce costs, including extending payment facilities and strengthening anti-evasion laws.	1	1.0	3	2.9	11	10.7	13	12.6	75	72.8	4.53	.87
<b>Overall mean</b>											<b>4.58</b>	<b>0.83</b>

The results from table 5, revealed that that the majority 73.8% of respondents strongly agreed that the rate the cost of filing a tax return has been reduced over the last 5 years with (very high mean score = 4.35, St. dev=1.18) which implies there is strong evidence of existing fact and heterogeneity response. These findings are in agreement with Okello (2014), found that the tax auditors encourage the majority of taxpayers to voluntarily meet their tax obligations and leave the tax officials to put more efforts in dealing with those who do not comply as way of reducing tax collections.

The results from employee of RRA indicated that the majority 85.4% of respondents strongly agreed that the rate the cost of hiring a tax agent has been reduced over the last 5 years with (very high mean score = 4.83, St. dev=0.42) which implies there is strong evidence of existing fact and homogeneity response. These findings are in agreement with Atawodi and Ojeka (2014) conclude saying that the

minimization of cost of collection and reduction of inefficiencies attached to high costs attached to tax collection would increase considerably the growth in revenue and wealth in the country. This study will measure the level of Tax Revenue Performance in Rwanda basing on cost of collection

The results from employee of RRA indicated that the majority 77.7% of respondents strongly agreed that the cost of tax audit has been reduced over the last three years with (very high mean score = 4.62, St. Dev=0.88) which implies there is strong evidence of existing fact and heterogeneity response. These findings are in the agreement with Kimerembe (2018), found that tax audit helps to achieve tax collection as indicated by 88 auditors of RRA and found that Tax audit help taxpayers keep accurate financial records for better future tax declarations.

The results from employee of RRA indicated that the majority 72.8% of respondents strongly agreed that the tax officer ensures that implement

procedural and tax law changes to improve collection and reduce costs, including extending payment facilities and strengthening anti-evasion laws with (very high mean score = 4.53, St. dev=0.87) which implies there is strong evidence of existing fact and heterogeneity response. These findings are in the line with Mulugeta (2019) analyzed a model of tax-audit game on what probability the tax authority might audit the returns of the self-employed individuals/business owners. With three possible profit realizations (high, medium, and low), a range of equilibrium reporting and auditing predictions are obtained under progressive taxation. Allan (2013) explained that if the taxpayers are re-audited in the future, whatever additional tax and penalties imposed during the previous audit would be the taxpayer's future expected costs.

Therefore, the taxpayers who were audited before will know what the future expected costs are likely to be and may choose not to evade tax if they perceive the stakes are high, The overall views of

employees of RRA on level of decrease of cost of tax collection was very high mean = 4.58 and standard deviation of 0.83 which implies there is strong evidence of existing fact that cost of tax collection has been reduced at very high extent and heterogeneity responses. These results were consistent with Badara (2012), found out that costs incurred by taxpayers to comply with tax law are actually higher than what the government collects and consequently Individuals and businesses change their behavior in response to tax policies, hiring tax experts to discover ways to minimize their tax liabilities. The efficiency costs from both legal tax avoidance and illegal tax evasion are difficult to quantify, but could be the highest costs of all.

#### Level of tax revenue performance

The researcher sought to assess the perception of respondents on the level of revenue performance. The respondents were asked whether agreed or disagreed with the statement concerned with revenue performance. The results were summarized in the table below.

**Table 6: Level of tax revenue performance**

	SD		D		N		A		SA		Mean	STD
	fi	%	fi	%	fi	%	fi	%	fi	%		
Value added tax collected over the last 5 years has been increased	1	1.0	1	1.0	7	6.8	13	12.6	81	78.6	4.67	.73
Personal income tax collected over the last 5 years has been increased	0	0.0	4	3.9	3	2.9	25	24.3	71	68.9	4.58	.73
Corporate tax income collected over the last 5 years has been increased	10	9.7	0	0.0	6	5.8	23	22.3	64	62.1	4.27	1.22
Import tax duty collected over the last 5 years has been increased	1	1.0	9	8.7	3	2.9	32	31.1	58	56.3	4.33	.96
The total revenue collected is great that its target over the last 5 years	0	0.0	7	6.8	13	12.6	8	7.8	75	72.8	4.47	.96
RRA consistently surpasses its revenue targets.	6	5.8	4	3.9	7	6.8	15	14.6	71	68.9	4.37	1.15
Tax collection in terms of volume has increased tremendously.	0	0.0	7	6.8	0	0.0	16	15.5	80	77.7	4.64	.80
General contribution of tax towards government budget has been going up.	0	0.0	0	0.0	1	1.0	13	12.6	89	86.4	4.85	.38
There is a reduction in foreign aid as a result of increased revenue.	0	0.0	4	3.9	10	9.7	20	19.4	69	67.0	4.50	.83
<b>Overall mean</b>												<b>0.86</b>

The results from table 6, revealed that the majority 78.6% of respondents strongly agreed that value added tax collected over the last 5 years has been increased with (very high mean score = 4.67, St. dev=0.73) which implies there is strong evidence of existing fact and heterogeneity response with literature support, as being an effective tool for deterring tax evasion Alm *et al.* (2014), found no significant change in compliance for those audited over a twenty-year period, even though penalties increase significantly during that time. Samuel & Rutikanga (2014) conducted a study through experimental research and suggested that early audits have a positive impact on compliance.

The results from employee of RRA indicated that the majority 68.9% of respondents strongly agreed that personal income tax collected over the last 5 years has been increased with (very high mean score = 4.58, St. dev=0.73) which implies there is strong evidence of existing fact and homogeneity response. This findings are in agreement with Nyakamba (2014) found that the direct effect of doubling the audit rate produce an increase in assessed or total collections. In an experimental study by Yesegat & Joseph (2017), it was found that on average, subjects are willing to spend 20% to 30% of their tax revenue on auditing. Compliance is also improved if subjects can determine the budget and the probability of audit. These findings indicated that tax auditor's incentives to detect evasion are to be taken into account in the design of compliance-improvement audit programs.

The results from employee of RRA indicated that the majority 62.1% of respondents strongly agreed that corporate tax income collected over the last 5 years has been increased with (very high mean score = 4.27, St. dev=1.22) which implies there is strong evidence of existing fact and heterogeneity response. This findings are in agreement with Ndunda (2015) examined the response of taxpayers to targeted audit (i.e. based on audit selection and payment rates). The results predicted by a deterrence model showed much less evasion. This indicated that regardless of whether evasion has a

high or low return, a taxpayer's knowledge of his preferred outcome is an important factor in determining payment rates or amount of evasion. Mebratu (2016), found that delayed feedback on tax audits results in higher compliance than immediate feedback.

The results from employee of RRA indicated that the majority 56.3% of respondents strongly agreed that import tax duty collected over the last 5 years has been increased with (very high mean score = 4.33, St. dev=0.96) which implies there is strong evidence of existing fact and heterogeneity response. The results from employee of RRA indicated that the majority 72.8% of respondents strongly agreed that the total revenue collected is great that its target over the last 5 years with (very high mean score = 4.47, St. Dev=0.96) which implies there is strong evidence of existing fact and heterogeneity response. These findings are in the line with Fadzil *et al.* (2009), found that tax audit helping KRA to increase its total tax revenue available to the Counties was Kshs. 40.4 billion in fiscal years of 2016/2017.

The results from employee of RRA indicated that the majority 68.9% of respondents strongly agreed that RRA consistently surpasses its revenue targets with (very high mean score = 4.37, St. Dev=1.15) which implies there is strong evidence of existing fact and heterogeneity response. The results from employee of RRA indicated that the majority 77.7% of respondents strongly agreed that tax collection in terms of volume has increased tremendously with (very high mean score = 4.64, St. dev=0.80) which implies there is strong evidence of existing fact and heterogeneity response. The argument that ensues from this discovery is that tax audit can engender increase in the compliance and revenue level of taxpayers in east Addis Ababa middle taxpayers branch office.

This outcome corroborated the findings of Onoja and Iwarere (2015). They concluded that tax audit has significant effects on revenue generation. Similarly, this discovery gives credence to the conclusion of Onuoha and Dada (2016). They

submitted that tax audit and investigation are inevitable to improve on the collection of tax revenues in Nigeria.

The results from employee of RRA indicated that the majority 86.4% of respondents strongly agreed that general contribution of tax towards government budget has been going up with (very high mean score = 4.85, St. dev=0.38) which implies there is strong evidence of existing fact and homogeneity response. The results from employee of RRA indicated that the majority 67% of respondents strongly agreed that there is a reduction in foreign aid as a result of increased revenue with (very high mean score = 4.50, St. dev=0.83) which implies there is strong evidence of existing fact and heterogeneity response.

The overall views of employees of RRA on the level of tax revenue performance was very high mean = 4.52 and standard deviation of 0.86 which implies there is strong evidence of existing fact that the level of tax revenue performance has been

increased at very high extent and heterogeneity responses. This finding is in agreement with Adediran *et al.* (2013) concluded that tax audit and investigations could increase the revenue base of the government and can stamp out the incidents of tax evasion in the country. The corollary of these findings is that tax compliance and revenue level in east Addis Ababa middle taxpayers branch office could be improved upon through desk audit, field audit, back duty audit and registration audit.

#### **Analysis of trends of tax revenue during FY 2014/2015 up to 2018/2019**

The study sought to analyze the trends of tax revenue of Rwanda as one components of revenue generated by government of Rwanda. Tax revenue of Rwanda composed by value added tax, income tax, pay as you earn, import duty, exercises duty and other taxes. The results from analyze of secondary data of tax revenue of Rwanda were summarized in the table below.

**Table 7: Trends of total tax revenue of Rwanda from 2014/2015 up to 2018/2019**

Years	VAT	PAYE	Income tax	Exercises duty	Other Taxes	Import Duty	Tax revenue	Tax rate	revenue
2015/2016	323.2	229.7	159.3	138.06	61.3	75.1	986.7	14.8	
2016/2017	352	257.7	190.5	134.2	75.6	76.5	1,086.50	10.1	
2017/2018	405.7	281.7	235.9	147.8	80.2	80.9	1,200.30	10.4	
2018/2019	458.7	320.8	274.4	164.9	10.8	90.4	1,320.00	9.97	
Mean	365.16	259.06	202.16	141.112	52.12	77.28	1090.52	11.55	
Min	286.2	205.4	150.7	120.6	10.8	63.5	859.1	9.97	
Max	458.7	320.8	274.4	164.9	80.2	90.4	1320	14.8	
St. dev	68.1	44.9	52.4	16.5	29.6	9.8	179.6	2.1	

**Source: RRA reports, (2015-2019)**

The Table 7 indicated that in FY 2015/2016, tax revenue was 986.7 Rwf billions with growth rate equal to 14.8% compared to the previous years of 2014/2015. In FY 2016/2017, tax revenue was 1,086.50 Rwf billions with growth rate equal to 10.1% compared to the previous years of 2015/2016. In FY 2017/2018, tax revenue was 1,200.30 Rwf billions with growth rate equal to 10.4% compared to the previous year's

FY2016/2017 while FY 2018/2019, tax revenue was 1,320.00 Rwf billions with growth rate equal to 9.97% compared to the previous year's FY2017/2018

The results indicated that over the last 5 years, the minimum tax revenue of Rwanda was 859.1 billions Rwf occurred in fy 204/2015 while the maximum tax revenue of Rwanda was 1320 billions Rwf occurred in fy2018/2019. The study show that the

average tax revenue of Rwanda over the last 5 years was 1090.52 billions Rwf while the standard deviation 179.6 millions Rwf which implies that the major tax revenue of Rwanda were between 910.92 and 1270.12 billions Rwf

The results indicated that over the last 5 years, the minimum value added tax of Rwanda was 286.2 billions Rwf occurred in fy2014/2015 whilst the maximum value added tax of Rwanda was 458.7 billions Rwf occurred in fy2018/2019. The study show that the average value added tax of Rwanda over the last 5 years was 365.16 billions Rwf while the standard deviation 68.1millions Rwf which implies that the major VAT of Rwanda were between 297.06 and 433.26 billions Rwf

The results indicated that over the last 5 years, the minimum PAYE of Rwanda was 205.4 billions Rwf occurred in fy2014/2015 whilst the maximum PAYE of Rwanda was 320.8 billions Rwfs occurred in fy 2018/2019. The study show that the average PAYE of Rwanda over the last 5 years was 259.06 billion Rwf while the standard deviation 44.9 billion Rwf which implies that the major PAYE of Rwanda were between 214.16 and 303.96 billion Rwf

The results indicated that over the last 5 years, the minimum income tax of Rwanda was 150.7 billions Rwfs occurred in fy 2014/2015 whilst the maximum income tax of Rwanda was 274.4 billions Rwfs occurred in fy 2018/2019. The study show that the average income tax of Rwanda over the last 5 years was 202.16 billions Rwfs while the standard deviation 52.4 millions Rwfs which implies that the major income tax of Rwanda were between 149.76 and 254.56billions Rwfs.

The results indicated that over the last 5 years, the minimum exercises duty of Rwanda was 120.6billions Rwfs occurred in fy 2014/2015 whilst the maximum exercises duty of Rwanda was 164.9billions Rwfs occurred in fy 2018/2019. The study show that the average exercises duty of Rwanda over the last 5 years was 141.112 billions Rwfs while the standard deviation 16.5 millions Rwfs that implies that the major exercises duty of

Rwanda were between 124.612 and 157.612billions Rwfs

The results indicated that over the last 5 years, the minimum other taxes of Rwanda was 10.8 billions Rwfs occurred in fy 2014/2015 whilst the maximum other taxes of Rwanda was 80.2 billions Rwfs occurred in fy 2018/2019. The study show that the average other taxes of Rwanda over the last 5 years was 52.12 billions Rwfs while the standard deviation 29.6 millions Rwfs which implies that the major other taxes of Rwanda were between 22.52 and 81.72 billions Rwfs

The results indicated that over the last 5 years, the minimum import duty of Rwanda was 63.5 billions Rwfs occurred in 2014/2015 whilst the maximum import duty of Rwanda was 90.4 billions Rwfs occurred in 2018/2019. The study show that the average import duty of Rwanda over the last 5 years was 77.28 billions Rwfs while the standard deviation 9.8millions Rwfs which implies that the major import duty of Rwanda were between 67.48 and 87.08 billions Rwfs

The results indicated that over the last 5 years, the minimum growth rate of tax revenue of Rwanda was 9.97% occurred in 2018/2019 whilst the maximum growth rate of tax revenue of Rwanda was 14.8% occurred in 2015/2016. The study show that the average growth rate of tax revenue of Rwanda over the last 5 years was 11.55% while the standard deviation 2.1% which implies that the major growth rate of tax revenue of Rwanda were between 9.45% and 13.65%

#### **Relationship between tax auditing and tax revenue collection in Rwanda**

The study sought to find out the relationship between taxpayer's financial statement audit and revenue collection in Rwanda. The respondents were asked whether agreed or disagreed on the statement regarding with the relationship between taxpayer's financial statement audit and revenue collection in Rwanda. The results from analysis were summarized in the table below.



**Table 1: Relationship between taxpayers financial statement audit and revenue collection in Rwanda**

	SD		D		N		A		SA		Mean	STD
	Fi	%	fi	%	fi	%	fi	%	fi	%		
Non-compliance cases decreased as a result of tax audit practice	2	1.9	2	1.9	2	1.9	11	10.7	86	83.5	4.72	.77
Tax audit enhancing reduction of tax evasion and tax avoidance in Rwanda	3	2.9	3	2.9	1	1.0	15	14.6	81	78.6	4.63	.89
Tax audit practice made by RRA increasing tax revenue collected over the last 5 years	3	2.9	7	6.8	6	5.8	24	23.3	63	61.2	4.33	1.05
Tax audit used by RRA reducing cost of tax revenue collection over the last 5 years	2	1.9	10	9.7	6	5.8	18	17.5	67	65.0	4.34	1.08
Tax evaders were identified through tax audit made by employees of RRA	2	1.9	2	1.9	6	5.8	23	22.3	70	68.0	4.52	.85
Tax audit practice made by RRA promote voluntary compliance among taxpayers in Rwanda	3	2.9	9	8.7	5	4.9	20	19.4	66	64.1	4.33	1.10
<b>Overall mean</b>											<b>4.47</b>	<b>0.95</b>

The results from table 8, revealed that the majority 83.5% of respondents strongly agreed that non-compliance cases decreased as a result of taxpayers audit with (very high mean score = 4.72, St. dev=0.77) which implies there is strong evidence of existing fact and heterogeneity response. The findings of this study is similarly to the study conducted by Maiga (2015) found that there was a positive correlation between tax audit and the revenues generated. The estimates of the revenue growth model of Directorate General of Taxes in Mali show that it is influenced by changes in the collections of taxes.

The results from employee of RRA indicated that the majority 78.6% of respondents strongly agreed that taxpayers audit enhancing reduction of tax evasion and tax avoidance in Rwanda with (very high mean score = 4.63, St. dev=0.89) which implies there is strong evidence of existing fact and homogeneity response. This finding is consistent with Yeseget and Joseph (2017) found that in the overall, there was an increase for collection due to

taxpayer's audit. Contrary, the study findings indicated that VAT withholding system related to refund requests are increasing and imposing a great fiscal burden on the tax administration and business cash flows.

The results from employee of RRA indicated that the majority 61.2% of respondents strongly agreed that taxpayer's audit made by RRA increasing revenue collected over the last 5 years with (very high mean score = 4.33, St. dev=1.05) which implies there is strong evidence of existing fact and heterogeneity response. The results from employee of RRA indicated that the majority 65% of respondents strongly agreed that taxpayer's audit used by RRA reducing cost of revenue collection over the last 5 years with (very high mean score = 4.34, St. dev=1.08) which implies there is strong evidence of existing fact and heterogeneity response. The results of the study are also supported by that of Owusu (2019), who examined the impact of taxation on revenue generation in Nigeria. The research discovered among others

that, taxation has a significant contribution to revenue generation, taxation has a significant contribution on Gross Domestic Product, and firms are required to submit a tax return in the approved form in the manner prescribed by the authority.

The results from employee of RRA indicated that the majority 68% of respondents strongly agreed that tax evaders were identified through taxpayer's audit made by employees of RRA with (very high mean score = 4.52, St. dev=0.85) which implies there is strong evidence of existing fact and heterogeneity response. The results of the study are supported by Farrell (2016) found that how late filling and payment of tax brought challenging issues to the parties involved in revenue collection by demonstrating a robust stewardship of tax certainty and account for tax collection that commensurate with the ongoing economic activity. The results indicated that respondents agreed that some specific manner of payment affects collection of revenue and that RRA secure payment of any tax due require a firm to furnish a security in such manner that the authority prescribes.

The results from employee of RRA indicated that the majority 64.1% of respondents strongly agreed that taxpayer's audit assignment made by RRA promote voluntary compliance among taxpayers in Rwanda with (very high mean score = 4.33, St. dev=1.1) which implies there is strong evidence of existing fact and heterogeneity response. The results are supported by Khan *et al.* (2015) the findings also indicated that some specific manner of payment affects collection of revenue and that KRA secure payment of any tax due require a firm to furnish a security in such manner that the authority prescribes. The overall views of employees of RRA on the relationship between tax auditing and tax

revenue collection in Rwanda was very high mean = 4.47 and standard deviation of 0.95 which implies there is strong evidence of existing fact that tax audit contribute to positive increase of tax revenue collection in Rwanda at very high extent and heterogeneity responses.

### **Inferential statistics**

This section helps to respond the general objective study which is to assess the influence of taxpayers financial statements audit on level of tax collection in Rwanda .To achieve this, the study used the mean of mean to obtain indices for all the study variables. A mean of means was obtained from all the indicator of each variable to get the index for that variable. The study first carried out correlation analysis, using Pearson correlation at 0.05(5%) level of significance (p-value=0.05) to establish whether there was any relationship between taxpayers financial statements audit and revenue collection in Rwanda. Thereafter regression analysis was carried out to establish a study model.

### **Correlation analysis**

Correction method that is known as a statistical technique to measure the relationship between variables was used. Simply it is said that if the correlation value is positive the relationship between variables is said to be positive and vice-versa. After that, the following task is to confirm whether the correlation is statistically significant or not. To this, two famous p-alphas (0.01 and 0.05) are used where the calculated or tabulated p-value is compared to them. If the tabulated p-value is below to one among of them the relationship is said to be statistically significant and if it above the relationship is said to be not statistically significant. The results were presented and summarized in the table below:

**Table9:** Correlation coefficient

		Tax audit	Tax revenue collection
Taxpayers financial statement audit	Pearson Correlation	1	.753*
	Sig. (2-tailed)		.037
	N	103	103
Revenue collection	Pearson Correlation	.753*	1
	Sig. (2-tailed)	.037	
	N	103	103

\*. Correlation is significant at the 0.05 level (2-tailed).

The results from table 9, revealed that there is existed significance moderate and positive correlation between tax audit and tax revenue collection in Rwanda as correlation coefficient ( $r = .753$ ,  $P\text{-value} = 0.037 < 0.05$ ). This implies that an improved tax audit will increase tax revenue collection in Rwanda and statistically significance. Therefore, the study rejected the null hypothesis and concluded that effective tax audit influences tax revenue collection in Rwanda. These results are in the line with Agumas (2016) discovered that desk audit, field audit, back duty audit and registration audit had a positive significant effect on tax compliance and remittance in Ekiti State with the p-value of 0.001, 0.000, 0.000 and 0.000 respectively and also is supported by Eriksen and Fallan (2016), who found that there is a correlation between tax auditing towards tax compliance and tax collection in Kenya.

#### Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine whether there is influence of taxpayers financial statements audit in term of single-issue tax

audits, field audit, Record keeping audit and taxpayer's registration check on revenue collection in Rwanda. The regression models were run to test whether the model is significant or not. The statistical significance was verified by the Coefficient ( $\beta$ ), t-statistic and Prob. In additional, statistically significant relationship between the dependent variable and independent variable from the model were accepted at 5% significance level. The analysis applied the statistical package for social sciences (SPSS) to compute the measurements of the multiple regressions for the study. Model relationship with the type of tax audit of these variables can be arranged in a function or equation as follows:  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$  Where: Y = revenue collection  $\beta_0$  = Constant,  $\beta_1$  = regression coefficient variable X1 (Record keeping audit),  $\beta_2$  = regression coefficient X2(Field Audit),  $\beta_3$  = regression coefficient X3 (Taxpayer's registration check)  $\beta_4$  = X4 variable regression coefficient (Single issue tax audits) and  $\varepsilon$  = error / confounding variables.

**Table 10:** Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753 <sup>a</sup>	.567	.514	.83614

a. Predictors: (Constant), Single issue tax audits, Field Audit, , Record keeping audit, Taxpayer's registration check

The results from the above table 10, the value of adjusted r squared was 0.514(51.4%) an indication

that there was variation of 51.4% on tax revenue collection in Rwanda was due to changes in single

issue tax audits, field audit, , record keeping audit and taxpayer’s registration check at 95% confidence interval. Additionally, this therefore

means that factors not studied in this research contribute 48.6% of tax revenue collection in Rwanda.

**Table 11: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.740	4	4.148	28.027	.002 <sup>b</sup>
	Residual	67.816	98	.699		
	Total	73.553	102			

a. Dependent Variable: Tax revenue collection

b. Predictors: (Constant), Single issue tax audits, Field Audit, Record keeping audit, Taxpayer’s registration check

From table 11, the combined effort of taxpayer’s financial statement audit such as single-issue tax audits, field audit, record keeping audit and taxpayer’s registration check was statistically significant in explaining the variations in revenue collection in Rwanda. This is supported by a p value of 0.002, which is less than the acceptance critical value of 0.05. This implies that there was a goodness of fit of the model fitted for this study

### CONCLUSION AND RECOMMENDATION

Based on the discoveries made in this study, it was concluded that there is no doubt that financial statement audit of the taxpayer’s influences the revenue collection growth. The study concluded that taxpayer’s financial statements audit will produce increase of revenue collection in Rwanda and the study concluded that 51.4% of variation in tax revenue collection in Rwanda was because of changes in single-issue tax audits, field audit, and Tax investigation, record keeping audit and taxpayer’s registration check at 95% confidence interval. Through improving taxpayer’s financial statements audit, records keeping audit, taxpayer’s registration check ,field Audit, single issue tax audits resulting to increase tax compliance and also taxpayers audit reduces the problems of tax evasion, tax avoidance and other tax irregularity, tax audit aimed at ensuring the submission of accurate and current returns for proper computation, tax audit improve awareness on tax

rules and regulation increase compliance and reduce non-compliance tax payers, tax audit improves the level of tax compliance by the tax payers and tax audit increase number of taxpayers registered in Rwanda. The more taxpayer’s financial statements audit is conducted the more revenues are collected therefore, it is right to say taxpayer’s financial statements audit is directly related to revenue collections.

Based on the observed key findings and conclusions drawn above, the following recommendations were made:

- The study recommends RRA to keep training its tax auditor frequently on updated software align to the tax system which can strengthened the tax revenue collection and hence to enhance tax auditors’ capacity and improve desk audit.
- RRA should provide a regular seminar and symposium to the tax audit personnel for improving their efficiency and effectiveness.
- The taxpayers should learn to report correctly and present their accurate tax liabilities on time. In addition, they should comply with the obligation to pay tax on time in order to reduce unnecessary expenses from penalties.

## SUGGESTIONS FOR FURTHER RESEARCH

The study was unable to go through all the subject matters in this field. Further researchers are inspired to go on with the following gaps:

This work recommends similar studies to be conducted for longer period in order to compare

their findings with the previous findings of the study. This study also recommends further studies to be done in Rwanda revenue branches located in the districts of the Republic of Rwanda in similar research topic.

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