ABSTRACT

This study focused on the effect of non-tax compliance on Revenue collection, a case study of Rwanda Revenue Authority. The specific objectives of the study were: the evaluate determinants of SMS compliance to paying taxes, the level of tax compliance in SMEs in Kigali City and to assess how non-tax compliance by SMEs affects tax revenue performance. A cross-sectional research design was used together with the explanatory research design and analytical research design, in order to ascertain the determinants of tax compliance and their effect on tax revenue performance particularly among SMEs in Kigali city, Rwanda. The sample size was used for the study was 100 SMEs. Data was collected using self administered questionnaires. The study used stratified and purposive sampling techniques to draw representative samples and 40 respondents were involved in the study. The findings of the study revealed that there is a strong positive relationship between Tax Compliance and Domestic Revenue Collection. The study found out that the level of tax compliance was still low among the tax payers and they attribute this to the high tax rates, poor taxpayers’ attitude towards RRA, the large informal sector which encourages tax evasion. The low level of tax compliance was also attributed to the low tax compliance culture. The study also found out that the cost of revenue collection is low. The large Taxpayer’s Office increased domestic revenue collection and RRA experiences and registers tax arrears which also affect its performance. The study offers the following recommendations, improve tax administration so as to provide individuals and groups with guidance on how to improve bookkeeping standards and tax returns, tax counseling offices should be established country wide, procedures for filing returns and applications should be eased and promote tax education to create awareness among tax payers, and awarding of prizes to compliant tax payers.