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Effect of Tax Dispute Resolution Mechanism on Taxpayer's Compliance: *The Case of Rwanda*

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Abstract: This study was carried out to explore and analyse the effect of tax dispute resolution mechanism in Rwanda in relation to on taxpayer's compliance. From a population of 297, a sample of 170 were selected. The findings from data collected using structured questionnaires and documentation was presented using frequencies and percentages. It was established that there is significant positive relationship between fairness of tax disputes resolutions and tax compliance. The results from primary data revealed that the appeal committee of the Rwanda Revenue Authority (RRA) does not include external tax experts, rather, it is solely composed of only its own staffs which is suspiciously viewed by taxpayers. Respondents also revealed that resolving tax disputes through administrative procedures other than judicial ones positively impacts tax compliance. This was affirmed by more than 80% of respondents. It was concluded that that Rwanda Revenue Authority have to work and put strategies to resolve tax disputes which arise in an independent a manner as early as possible, to positively influence taxpayer's compliance. The study further recommends to the Authority that tax audits cases have to be reviewed by the independent panel review within the department who has no previous involvement with the audit or case work to review the technical merits of an audit position, before the matter is finalised.

Keywords: Tax, Tax Dispute, Taxation, Tax Payer, Tax Compliance, Avoidance, Tax Dispute Resolution Mechanisms

1. Introduction

Tax has been defined as a financial charge or other levy imposed upon its payer by the state or its functional equivalent, usually considered as a source of funding for various public expenditures [1] It has also been referred to as the price we pay for living in a civilized society and in a fair society we expect to pay our fair share. [2] A tax dispute has been defined as a situation where a tax authority needs more information to enable it to form a considered opinion on the correct tax treatment of a transaction and the customer, or their agent, has differing views on what is the tax legally due.[3]. Tax dispute resolution is a central component of the operation of any modern tax system around the world [4] Disputes relating to tax may be resolved either through agreement or litigation. In litigation the dispute is resolved through a statutory appeal to an independent body, for example a tribunal or a court. It also includes tax related common law claims to the courts or applications for judicial review.[5]

2. Literature Review

A report by the Committee of Experts on International Cooperation in Tax Matters (CEICTM) observed that tax disputes may arise where, after an audit or examination, the tax administration concludes that additional taxes should be payable, reassessment is required. or on demand of payment of tax. Disagreements regarding the amount of tax liability may be with respect to the amount of taxable income calculated by the taxpayer, the taxpayer's choice of transfer pricing method used to value transactions between the taxpayer and its associated enterprises or with regard to the

availability or computation of foreign tax credits. [6] A study carried out to examine the source of tax disputes revealed that tax disputes are resolved slowly and that disputes generally arise out of tax exemptions and excessive or aggressive assessments by the taxation authority. [7] Given that disputes are costly to both the tax authority and its customers, there is need to get the tax payable right with minimal or no disputes arising. Unfortunately, it has been observed that globally there is significant rise in tax audits and disputes, with a high possibility of even further increase, as financially strained governments press for higher revenue collection and media and public attitudes harden against perceived corporate tax avoidance. [8] Despite the many disadvantages to both the taxpayer and the tax authority, it has been argued that a certain level of tax disputes is a normal part of a taxation system based on the rule of law, as long as it does not amount to excessive volume of tax litigation, which would eventually lead to a delay in collecting a large amount of tax. It is also necessary to keep litigation to the minimum to keep costs low for both the private sector and government.[9] As much as possible, most countries provide the opportunity to settle the matter at the initial level of review, and the rationale is to avoid litigation at the earliest point in time, as the option is most cost effective for both the taxpayer and the tax authority. Should attempt at resolving the dispute fail, there are further opportunities to evaluate the matter and seek resolution at a higher level of the administrative process. Most countries have developed a range of administrative approaches which may lead to resolution, all of which are focused on avoiding costly and protracted litigation.[10] Critical for effective tax dispute resolutions are Tax Dispute Resolution Mechanisms (TDRMs) whose key features are institutions and procedures established to resolve tax disputes. To be efficient they must be credible and operate in a transparent manner. Resolutions mechanism deemed to be biased may contribute to lower taxpayer compliance and tax revenue leakage. Unfortunately, whereas considerable scholarship has been devoted to the discussion of substantive tax policy and to selected tax administration issues, such as audit and collection practices, limited attention has been devoted to the examination of domestic TDRMs, particularly in a developing country context [11]. It is in the interest of both the tax administration and taxpayers that disputes, when they arise, are addressed and resolved as quickly and efficiently as possible. An efficient and effective TDRM goes a long way in enhancing public confidence and it gives evidence that the tax authority is handling its roles with integrity. The authority should broaden avenues for tax payers to air disputes as well as matters of a general nature, such as concerns by taxpayers say, over the adoption of new audit or collection policies or the issuance of new tax forms, as doing so will contribute to the public confidence of the tax administration.[12]

Tax compliance is the willingness of individuals and other taxable entities to act in accordance with the spirit as well as the letter of tax law and administration without the application of enforcement activity [13] The main impediments to tax compliance are lack of tax education among the taxpayers followed by poor public relation activities and inadequate penalty provisions for errant taxpayers. Thus, tax administration should encourage voluntary compliance and address the obstacles that prevent voluntary compliance. In many cases gaps in the legislation relating to TDRM slow tax dispute resolution and include, among others, mandatory deposit of thirty percent of the assessed tax pending final resolution of the objection, inability of the tribunals to award damages, lengthy appeals process at courts, inability to provide for mediation and limited judicial powers, say of the registrar of courts.[14] In Rwanda, tax disputes and their resolution are provided in the tax Law, n^{o} 25/2005 of 04/12/2005 on tax procedures as modified and complimented to date. Article thirty thereof stipulates that "the taxpayer who is not satisfied with the contents of the tax assessment notice may appeal to the Commissioner General within thirty (thirty) days after receipt of the assessment notice". Article 31 provides that "…the appeal does not suspend the obligation to pay tax, interest and penalties. Upon written request by the taxpayer, the Commissioner General may suspend payment of the disputed amount of tax for the duration of the appeal". The same law also provides that the tax administration has to respond in writing to the taxpayer on his appeal within a period of thirty days. This period can be extended to more thirty days, and after this time, there is no further extension. During this extension, the tax administration has to inform in writing the taxpayer concerned otherwise, the taxpayer's appeal is deemed to have been considered and the taxpayers will be automatically discharged of the tax liability which he appealed against. However, once the tax administration reviews and disallows or allows a claim in part, taxpayers have right to appeal against such a decision to competent courts within a period of thirty days, effective from when the decision is delivered to taxpayers [15]. Thus, the taxpayers who decide to lodge an appeal are advised to do so in writing at their earliest possible since waiting for the last minute expose taxpayers to being time barred and their appeal may not be honoured simply because they have been submitted late. Taxpayers may dispute part of the tax, then pay the amount which has not been disputed, otherwise they will be required to pay interest on late payment. In self-assessment tax system, taxpayers began to bear the risks associated with applying the law to the facts and assessing their own liabilities. RRA shifted its resources away from assessing tax returns to other functions such as conducting audits and providing advice. When tax dispute avoidance and resolution mechanism is properly designed and implemented, it can enable fair and expeditious resolution of differences between tax administrations and taxpayers regarding interpretation and application of the relevant tax law [16]

During the 2015/16 fiscal year, there were 1,294 appeal cases received and, 972 were completed while in the 2014/15 fiscal, there were 387 appeals had been received. The finalised appeals cases had the reassessed tax liability reduced by the appeal committee from Frw 17.6 billion to

Frw 14.4 billion, representing an 18.2% reduction. For the year the 2015/16 fiscal year, 136 cases were heard in the Courts of Law. Among cases heard in the Courts, 75 were ruled in favour of RRA, (that is 55.1% of the total number of cases) 50 cases were ruled in favour of the plaintiffs, (that is 36.8% of the total) and 11 cases were partially won by both parties, (that is 8.1% of the total). As per the RRA report the issues contested by the taxpayers include but are not limited to VAT charged on disposed immovable properties (buildings), VAT reverse charge on non-available services in the country, some application of withholding value added tax on public tenders, claiming of VAT beyond two years' inputs during VAT rectification and taxes assessment on expired tax period and taxation of money found in bank statements in line with business transactions [17]. Alternative court litigation was required when taxpayers were not content with the results. Within the tax authority, there is an independent appeals office which has the authority to settle cases on the basis of the hazards of litigation. The system is in place and functioning and the vast majority of cases are settled before they go to court. It has been observed that tax compliance is increasingly taking up a central position in business management because tax is one of the key risks in business. It is therefore not surprising that management is dedicating more time to tax compliance, or worse, the impact of non-compliance. [18] Tax audit practices and policies play a key role in any effort by a tax administration to avoid or minimize disputes with taxpayers. To the extent that a tax administration's audit practices and policies are seen as fair and are implemented equitably, it becomes less likely that taxpayers will deem it necessary to pursue dispute resolution options. Conversely, where a tax administration has systemic integrity or confidentiality issues or applies the law in a manner that is not seen as fair and equitable, or is regarded as unpredictable, taxpayers are more likely to see a need to seek resolution of the dispute elsewhere. In self -assessment systems, audits are a key source of disputes. These tend to appear formally at the end of the procedure, as a challenge to the tax assessment by means of a protest. Disputes can arise at any point during the audit procedure. An attempt should be made to resolve most of them before the audit is concluded.

Tax treaties significantly reduce the scope for cross-border disputes. Without a tax treaty, income from cross-border transactions or investment is subject to potential of double taxation whenever the laws of the source and residence or domicile countries differ. Tax treaties seek to eliminate double taxation by allocating between the contracting states the taxing jurisdiction over such income and by providing procedures for the relief of any residual double taxation. Treaties also typically require tax laws to be applied without discrimination based on nationality or capital ownership and without discrimination against the conduct of business through a permanent establishment. This way, tax treaties therefore offer significant reassurance and certainty to potential investors, as well as greater certainty for tax administrations, by reducing the risk of cross-border disputes. In a landmark case handled in London involving the Government of Uganda and Heritage Oil, the dispute involved the payment of a capital gains tax ($434 million) on the sale of its oil exploration rights to Tullow Oil for $1.45 billion. Tullow Oil sued Heritage Oil believing a "tax" of $313 million that it paid to the Government of Uganda on behalf of Heritage, in lieu of Heritage's (unpaid) was capital gains tax. Heritage counter sued Tullow for $283 million, which is the amount of money that Tullow withheld from Heritage pending the resolution of Heritage's tax dispute with the Ugandan government. [19]

In Rwanda the tax procedures allow the taxpayer who is not satisfied with the contents of the assessment notice to appeal to the Commissioner General within thirty days after receipt of the assessment notice. The law requires that an appeal fulfils various conditions. The appeal must be in writing, identify the taxpayer's name and taxpayer identification number. The appeal must indicate the relevant tax period, the assessment, object and grounds of appeal the appeal and must be signed by taxpayer or legal representative furnished with power of attorney. Furthermore, the appeal should contain all proofs and legal arguments against the assessment. However, when the tax payer appeals, the law requires that they pay the tax assessed but the Commissioner General has powers to suspend payment of that tax in dispute, for the duration of appeal. The Commissioner General makes a decision on the appeal within a period of thirty days and sends it to the taxpayer. This period may be extended once for another thirty days and the Commissioner General has to inform the taxpayer. Should the taxpayer not be satisfied with the decision of the Commissioner General, they can make a judicial appeal to the tribunal of competent authority within thirty days after the receipt of the decision. The law also provides that the tax administration has to respond to the taxpayer on the appeal within a period of thirty days. This period can be extended to more thirty days, and after this time, there is no further extension. During this extension, the tax administration has to inform the taxpayer concerned, that there is an extension of such a sort. Once no communication has been heard from the tax administration, then the taxpayer's appeal is deemed to have been considered, with the taxpayer deemed automatically relieved of the tax liability which was the subject matter of the appeal. That is so, if no response has been sent to the taxpayer within the thirty or 60 days mentioned above. The taxpayer who is not satisfied with the decision of the Commissioner General may request the Commissioner General for an amicable settlement. In case both parties do not reach an amicable agreement, the taxpayer may make an appeal to the competent court. However, once the tax administration disallows or allows the taxpayer's claim in part, then they are free to appeal against such a decision to competent courts within a period of thirty days, effective from when the decision is delivered to the taxpayer [20]

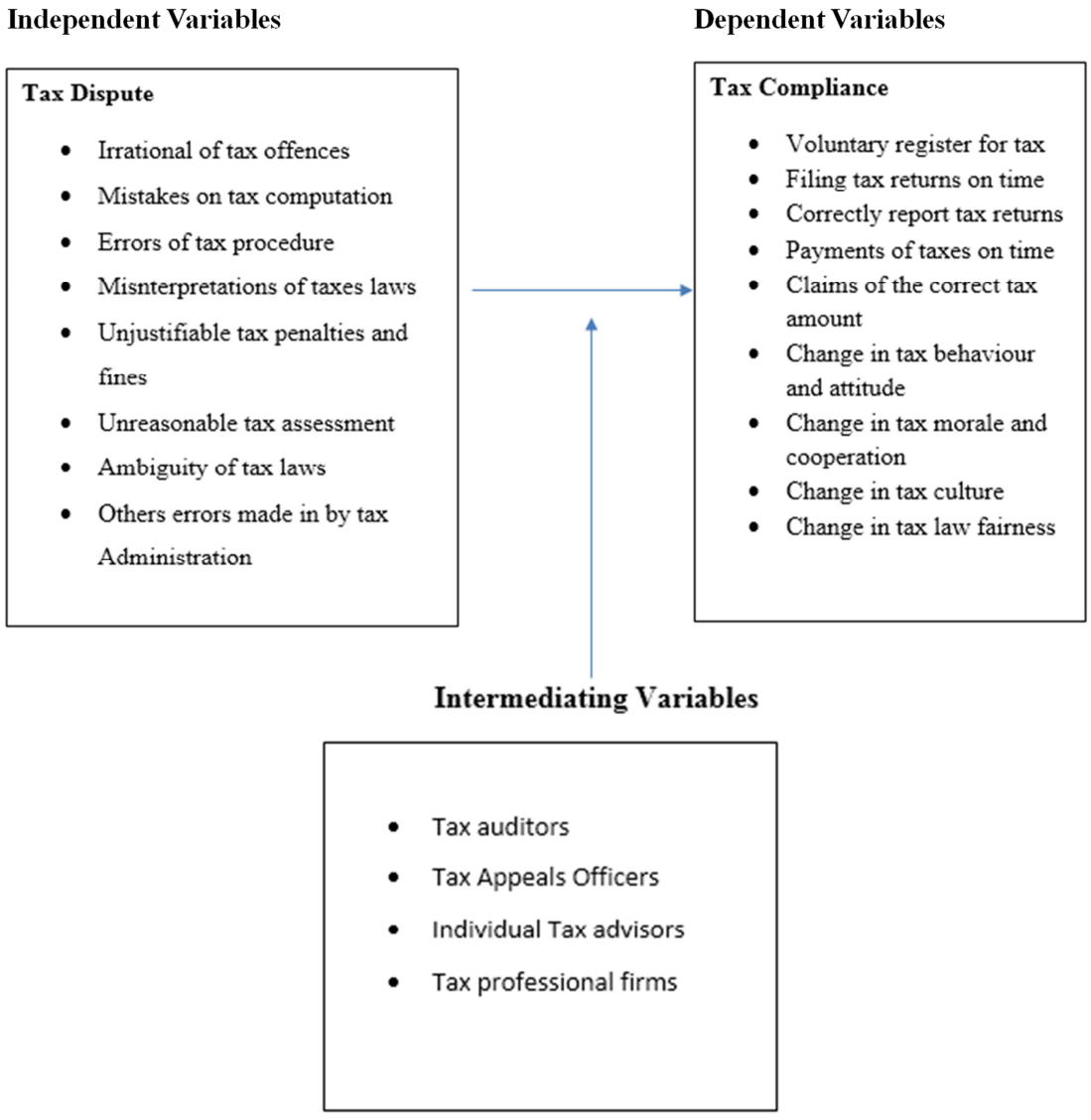
Justification of the study

Tax disputes, the results of which will have immense implications, not only for government current and future revenue but also for the country's investment climate should

attract researchers. In Rwanda a new income tax law, Law no 016/2018 was gazetted repealing Law no 16/2005 of 18/08/2005 and it came into effect on 13 April 2018. It has far and wide ranging implication on compliance on taxation, the Commissioner General's rules and Ministerial orders. The findings of this research will be of benefit to investors and policy makers as the application of this and other related legislation laws progresses. It is necessary to pay close attention to the tax disputes and their eventual legal and economic outcome. Unfortunately, there has been quite limited research in this crucial area, thus the justification of this research.

3. Conceptual and Theoretical Framework

A conceptual framework is a structure, arranged in a logical flow, to provide a picture or a visual display of how ideas in a study relate to one another. It assists the researcher in identifying and constructing their worldview on the phenomenon to be investigated and it provides what they believe can best explain the natural progression of the phenomenon to be studied. Ordinarily it relates variables which cause others, independent variable (IV) with the what results from the relationship, dependent variable (DV).



Source: Research 2018 ource

Figure 1. *Conceptual Framework.*

Tax disputes, which is the independent variable is comprised of irrational of tax offences, mistakes on tax computation, errors on tax procedure, misinterpretations of taxes laws, unjustifiable of tax penalties and fines, unreasonable tax assessment, ambiguity of tax laws and others errors made in by tax administration, as the driving factors. On the other hand, tax compliance, which is the dependent variable has voluntary register for tax, filing tax returns on time, correctly report tax returns, payments of taxes on time, claims of the correct tax amount, change in tax behaviour and attitude, change in tax morale and cooperation, change in tax culture and change in tax law fairness as the

indicators. In between are intermediating variables of the conceptual framework, namely, tax auditors, tax appeals officers, individual tax advisors and tax professional firms.

4. Research Methodology

This section describes the research design to be involved in the study. It covers the research design, population of the study and sample size, data collection procedure and analysis.

4.1. Research Design

This study adopted a descriptive survey, a scientific method which involved observing and describing the behaviour of a subject without influencing it in any way. The research design was designed to gain more information about variables within a particular field of study. Its purpose is to provide a picture of a situation as it naturally happens.

4.2. Population of the Study

The population consisted of 297 and comprises of 24 big tax auditors, 61 tax appeals officers, 92 tax auditors, and 120 individual tax advisors.

4.3. Sampling and Sample Size

In this study, simple random sampling technique was used in the selection of respondents where few respondents were selected purposively out of the whole population based on whoever got a chance to be included in the sample. It was difficult to carry out this study based on the entire population; reason why a sample was determined to facilitate the research process. To get this sample, simple random as sampling technique were used to give all audit officers and audited taxpayer's equal opportunity to be selected. [21]. Thus, the researcher adopted a reasonable sample size to provide sufficient information as follows:

Slovin's formula of determining sample size as $n = n = \frac{N}{1+N.(e)^2}$

where:

n = Number of samples,

N = Total population from which sample was made,

e = Error tolerance.

Thus, taking the confidence level of 95 percent thereby giving a margin of error of 5%, the sample size is determined as follows;

$$n = \frac{297}{1+297*0.05^2} = 170$$

Table 1. *Sample size.*

Category	Numbers	Sample size	Technique used
Big tax audits firms	24	4	Census
Tax appeals officers	61	15	Census
Tax auditors	92	62	Simple random technique
Individual tax advisors	120	89	Simple random technique
Total	297	170	Total

Source: Researcher's data, 2018

4.4. Data Collection

In this study, data was collected using semi-structured questionnaires that were administered to RRA staff and face to face interviews were conducted with the key people to get in-depth information on the matter. Questionnaires was designed according to Likert Scale: "Strongly disagree (1), Disagree (2), Agree (3) and strongly agree (4)" to explore the key variables of tax dispute and taxpayer's compliance.

4.5. Methods of Data Analysis

Descriptive statistics such as means, standard deviation and frequency distribution were used to analyse the data. Data presentation was done by the use of frequency tables for ease of understanding and interpretations and the completed questionnaires were edited and classified for completeness and consistency. As such, data was then being coded and tabulated to enable the responses to be grouped into various categories using Statistical Package for Social Science (SPSS). Data was analysed into frequency distribution to indicate variable values and number of occurrences in terms of frequency. The organized data was interpreted on account of concurrence, mean and standard deviation to objectives. Both content and descriptive analysis were employed. Data was analysed using content analysis and results were presented in prose form.

5. Findings

The findings below were obtained from both primary and secondary data sources. They were presented and analysed using frequency tables and percentages in order to provide meaningful information.

Table 2. *Respondents' view on whether the taxpayer does not want to abide by the tax laws and pursues an unreasonable position.*

Response Rating	Frequency	Percentage
Strongly agree	98	79%
Agree	24	21%
Disagree	0	0%
Strongly disagree	0	0%
Total	122	100%

Source: Researcher's data, 2018

As shown in table 2, 79% of respondents strongly agree that tax payers in Rwanda do not want to abide by the tax laws and pursue an unreasonable position challenging tax assessment frequently, even where the assessment is justified. The rest, 21% of the respondents, agree that Rwanda tax administrative resolution of dispute is important in influencing taxpayer's compliance. The implication is that lack of sufficient knowledge on the part of the Rwandan taxpayer's is a major issue in explaining of the unreasonable tax disputes. Accordingly, Rwanda Revenue Authority can also play an important role in improving tax payment culture through tax education and tax sensitisation. How tax disputes are handled and resolved might have serious impact on taxpayer's compliance [22]. This confirms earlier research findings to the effect that tax knowledge has an influence on

tax compliance. [23]

Table 3. *Respondents' views on whether the impact on compliance of mistakes by the tax authority.*

Response Rating	Frequency	Percentage
Strongly agree	102	83%
Agree	20	17%
Disagree	0	0%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

Results in table 3 shows that 83% of respondents strongly agree that unreasonably high assessments resulted from mistake done by Rwanda tax authority and therefore one of the major factors in the occurrence of disputes. Seven percent (17%) of respondents agree that unreasonably high assessments caused by tax administration mistake are one of the tax administration strategy to pressure taxpayers to negotiate a case during tax audit procedures in case taxpayers fails to cooperate with tax officers. It is obvious the majority of respondents affirmed that mistakes made by the tax body can be a source of dispute and affect tax compliance.

Table 4. *Respondents' views on the impact of misinterpretation of the tax laws.*

Respondents	Frequency	Percentage
Strongly agree	122	100%
Agree	0	0%
Disagree	0	0%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

From table 4, all the respondents strongly agree that misinterpretation of tax law can be a strong influence on compliance to pay. Therefore, tax administration should have the option of referring the matter directly to court after the taxpayer's dispute, without needing to go through the administrative system of resolving disputes in the view that once a court has rendered a decision, it will provide guidance for similar future cases. The response shows that taxpayers perceive the tax authority not in good stance.

Table 5. *Respondents' views on whether taxes with dispute may be paid during appeal process.*

Response Rating	Frequency	Percentage
Strongly agree	0	0%
Agree	0	0%
Disagree	0	0%
Strongly disagree	122	100%
Total	122	100%

Source: Resreacher's data, 2018

From the table 5, 100% of respondents strongly disagree that the amount in dispute should not be paid during appeal process. The result shows that there is no one of the respondents who supports that the amount in dispute shall be paid in normal collections.

Table 6. *Respondents' views on whether taxes with dispute may be paid after appeal decisions.*

Response Rating	Frequency	Percentage
Strongly agree	96	78%
Agree	26	22%
Disagree	0	0%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

Table 6 shows that 78% of respondents strongly agree with the view that once the tax is assessed it has to be paid within the time fixed by the law with exception of the taxes with dispute which may be paid after the appeal decisions. The table also reveals that 22% agree that the taxpayer does not have to pay the tax when the taxpayer appeals, until there is an appeal decision. From the respondent perspective, Rwanda Revenue Authority should adopt a realistic and flexible approach. They prefer payment arrangements with taxpayers instead of suspension conditions, perhaps with belief that this may contribute to the reduction of disputes and subsequently improve taxpayer's compliance.

Table 7. *Respondents' views on whether if the tax is not paid before the appeals procedure, whether the taxpayer have to pay interest on the due amount.*

Response Rating	Frequency	Percentage
Strongly agree	89	73%
Agree	24	20%
Disagree	9	7%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

From table 7, seventy three percent (73%) of respondents strongly agreed that allowing taxpayers to challenge tax assessments without paying the tax and without interest accruing is unfair to taxpayers who pay their liability on time. Also 20% agree that after the appeal confirms the tax assessed by the tax administration, interest should accrue from the original due date for the tax until it is actually paid. Further, the tax payers waste time in pursuing cases. However, only 7% of the respondent disagree that if the tax is not paid before the appeals procedure, the taxpayer has to pay interest on the due amount.

Table 8. *Respondents' views on whether if the tax in dispute is paid, the administration have to pay interest on the amount paid if, after the appeals process, it is refunded.*

Response Rating	Frequency	Percentage
Strongly agree	122	100%
Agree	0	0%
Disagree	0	%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

Data in table 8 indicates that the entire sample (100%) of respondents mentioned that once the assessment is

subsequently reversed by the appeal, the tax paid to Rwanda Revenue Authority should be refunded to the taxpayer, together with interest from the time of payment until the time of the refund. This would influence taxpayer's compliance and presumably reduce recklessness on the part of administration.

Table 9. *Respondents' views on whether there is the burden of proof on the taxpayer to show that the tax assessment is incorrect or the tax administration have to prove its correctness.*

Response Rating	Frequency	Percentage
Strongly agree	85	70%
Agree	19	15%
Disagree	10	8%
Strongly disagree	8	7%
Total	122	100%

Source: Resercaher's data, 2018

From the data in table 9 above, 70% of the respondents strongly agree that, the burden of proving that a tax assessment is incorrect tends to be placed squarely on the taxpayer instead of tax authorities except where the law provides otherwise. The same respondents argue that the tax authority should base the assessments on facts with valid evidence. For 15% of the respondents the tax administration has to gather evidence in a more formal way, by authenticated documents and statements of witnesses. In the table it is revealed that only 8% disagree and 7% strongly disagree. This affects the attitudes of individuals and this informs how they evaluate the tax system and consequently affects their compliance decisions.

Table 10. *Respondents' views on whether taxpayers can be represented by tax professional/experts.*

Response Rating	Frequency	Percentage
Strongly agree	122	100%
Agree	0	0%
Disagree	0	0%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

As it indicated in table 10, all respondents strongly agree with the view that the taxpayer must have the right to be represented or assisted by a tax advisor or a tax lawyer at all levels of tax dispute procedures. There is need for a cooperative relationship between the tax body and taxpayers to make tax collection more efficient and provide greater certainty and predictability regarding the taxation of the taxpayer's investments [24].

Table 11. *Respondents' views in RRA appeal committee are included externals tax professionals or experts.*

Response Rating	Frequency	Percentage
Strongly agree	122	100%
Agree	0	0%
Disagree	0	0%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

From able 11, the respondents of 100% strongly agree that in RRA, there is an office in charge of management of tax disputes but RRA appeal committee is solely composed by the tax officers, Senior tax officers, tax managers and senior managers, which excludes externals tax professionals or experts. This is lopsided because of conflict of interest with many disputes likely to be unnecessary and costly even on the part of RRA, because later these experts will be met in the resolution process after time and expenses have been incurred. The response confirms the findings presented in table 9 above.

Table 12. *Respondents' views in RRA that, the appeal decision is taken with independent opinion.*

Response Rating	Frequency	Percentage
Strongly agree	90	74%
Agree	22	18%
Disagree	10	8%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

From table 11, 74% of the respondents strongly agree that processes are simple but not neutral and transparent because the RRA appeal committee is not an independent panel review which includes external tax expert and tax partners. Furthermore 18% of the respondent agree that there is lack of independent opinion because the appeal committee does not include external tax experts. Only 8% of the respondent disagree. From the respondent views, it is observed that when taxpayers disagree with the results of an audit, they have right and access to processes for the resolution of any dispute with the tax office.

Table 13. *Respondents' views on composition of tax independent panel review.*

Response Rating	Frequency	Percentage
Strongly agree	102	84%
Agree	12	9%
Disagree	8	7%
Strongly disagree	0	0%
Total	122	100%

Source: Resercaher's data, 2018

From the table above 13, 94% of the respondents strongly agree that for the tax review panel to be independent it should be composed of tax professional drawn from public entities, the private sector and civil society. For example, it could be composed of the team from Rwanda Revenue Authority, Private Sector Federation, Ministry of Finance, Institute of Certified Public Accountants of Rwanda (ICPAR), individual tax advisor's representative and tax firm's representative. For the rest of the respondents, 9% agree and 7% disagree with the above statement.

Table 14. *Respondents' views whether in Rwanda, they are attributed courts designated for tax matters.*

Response Rating	Frequency	Percentage
Strongly agree	95	78%
Agree	15	12%
Disagree	8	10%

Response Rating	Frequency	Percentage
Strongly disagree	4	%
Total	122	100%

Source: Resercaher's data, 2018

As indicate in table 14 above, 78% of the respondents strongly agree that in Rwanda court's structure, there is no tax tribunals or courts of appeal for cases where taxpayers are dissatisfied with the outcome of the administrative resolution. The respondents indicated that that tax matters are resolved by commercial courts which deals with commercial matters. For the rest of the respondents, 12% agree, 10% disagree. From the foregoing, the resolution system must have an option for appeal.

Table 15. *Respondents' views whether that fairness tax disputes resolutions improves taxpayer's compliance.*

Response Rating	Frequency	Percentage
Strongly agree	88	72%
Agree	27	22%
Disagree	7	6%
Strongly disagree	4	%
Total	122	100%

Source: Resercaher's data, 2018

From the table 15 above, 72% of the respondents strongly agree that tax disputes resolution conducted transparently and independently can improve the taxpayer's compliance. On their part 22% agree while 6% disagree. None strongly disagree. This implies that Rwanda Revenue Authority have to introduce an independent panel review so that mediation, conciliation, negotiation and hearing done through an impartial tax expert will provide more fair tax disputes resolutions and could positively influence taxpayer's compliance.

Overall the effect of the tax system does not operate only through the formal burden of the tax, but also through the degree and costs of tax compliance. In particular tax compliance can affect small entrepreneurial firms in two ways, with two opposite effects. First compliance costs, as they involve fixed costs, may be more burdensome the smaller the firm is. Secondly as long as a small firm has more opportunity to carry on informal transactions and evade the tax, they may de facto be at an advantage with respect to larger firms, the reason why it is important to understand whether and to what extent the attractiveness of self-employment can depend on loopholes or low law enforcement of the tax system, which allows, or implicitly tolerates, tax evasion.[25] It was observed earlier above that MSMEs are of great significance for all economies, and Rwanda needs to take serious concern over the implications of the dispute resolution systems in place with a view to reforming them.

6. Conclusions and Recommendations

Taxation is complex, especially when applied to the affairs of corporations. Tax disputes arise when the taxpayer disagrees with the tax officers about a liability or entitlement. Tax disputes may arise where, after an audit or examination, the tax administration concludes that additional taxes should be payable, reassessment is required. or on demand of payment of tax. Disagreements regarding the amount of tax liability may be with respect to the amount of taxable income calculated by the taxpayer, the taxpayer's choice of transfer pricing method used to value transactions between the taxpayer and its associated enterprises or with regard to the availability or computation of foreign tax credits. The study shows that fairness in tax dispute resolution increases transparency to the Authority and have a positive impact on taxpayer's compliance. The study shows that Rwanda Revenue Authority has the aim and strategies of preventing disputes it has to work and put strategies to resolve tax disputes, whenever they arise in independent manner as early as possible to positively influence taxpayer's compliance. It has been demonstrated that impartiality and independence of members of appeals committee would go a long way in resolving tax disputes. This would be augmented by setting up mechanisms of resolving tax disputes via administrative process other than judicial or tribunal determination. The end result would be attainment of the four pillars of tax compliance which are voluntary tax registration, filing tax returns on time, correct tax reporting and payment of tax liabilities on time.

In the light of what has been revealed in this study, a number of recommendations can be made to help the Rwanda Revenue Authority carry out its operations more effectively and efficiently. First, a panel independent from the Domestic Taxes Department, Customs Department, Revenue Investigation and Enforcement should be established, composed of the senior tax officers without previous involvement with the audit or case work to review the technical merits of an audit position, before the position is finalized or before assessments are raised to avoid to prevent unnecessary tax disputes which arise from tax audits or cases work. Secondly taxes in disputes should be paid after the resolution instead of during or within the disputes process otherwise the Authority should have to refund to the taxpayer's amounts paid, with interest from the time of payment until the time of the refund once the assessment is subsequently reversed by the appeal. Third, tax tribunals or tax courts composed of tax professional lawyers should be created so that when the taxpayer is dissatisfied with the outcome of the administrative appeals decision, the tax tribunal or courts will have to resolve the tax disputes as fairly as most possible.

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