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THE CONTRIBUTION OF TAX PLANNING ON THE PROFITABILITY OF PRIVATE COMPANIES IN RWANDA.

A CASE STUDY OF UMUTANGUHA FINANCE COMPANY, PLC (2014-2019)

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Abstract

This study focuses mainly on exploring the contribution of tax planning on the profitability of private companies in Rwanda with special reference to UMUTANGUHA Finance Company Plc, period 2014-2019. In Rwanda, most companies include UFC, Plc. had improved in performance while other have experienced declining fortunes which has been attributed to the fact that corporate managers another practitioner lack adequate guidance required to attain optimal decisions (Ayako et al., 2015). Hoffman (1961) noted that tax avoidance not only affects financial performance but also the firm value increases with improved tax planning schemes. It was significantly found that good corporate governance and tax avoidance practices result in greater abnormal returns. The study was guided by three specific objectives which are: To examine the tax planning strategies used by UFC, Plc; To analyze the level of profitability in UFC, Plc; To establish the relationship between tax planning strategies and profitability in UFC, Plc. A simple size of 35 employees of UFC, Plc were used. Data were collected from both

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primary and secondary sources using questionnaire and documentation. Data were processed and presented using frequency tables from which analysis were made. Multi regression equations were used to analyze the relationship between variables. A model was considered significant when t≤5%. The study indicated that there was a strong positive and significant relationship between tax planning strategies and profitability in UFC, Plc as approved by coefficients of correlation which was equal to 0.888. The study achieved all its objectives. Thereafter is greatly to recommend government should reduce the double taxation on private companies because its affects their growth.

Keywords: Tax, Tax Planning, Profitability, Private Companies, Rwanda

INTRODUCTION

The growth of every economy depends largely on the soundness of its financial system. Therefore, the health of the private sector is critical in any developing economy making the role of private companies more crucial. The private sector plays an important role in sustaining the economy. Private companies are seen as an important part of every economy and represent one of the most essential components of a country's capital (Agyemang *et al.*, 2013). In their basic role, private companies serve as financial intermediaries between investors and stakeholders (Owusu, 2014). Hempell (2012) asserts that, better performance of companies is profoundation for product innovation, diversification and efficiency of the companies.

Thus, the stability of every company depends largely on better financial performance. To achieve this objective, many companies employ various strategies to minimise cost. One way companies can minimise cost and enhance performance is by reducing their tax burden (Murphy, 2014). According to Wang (2016), corporate tax represents a significant cost to firms and shareholders. Therefore, corporate tax should be managed in much the same way as production cost and other financing cost (Akakpo, 2018). Murphy (2014) argues that, firms are likely to hire tax expert with the aim of reducing their tax burden. Thus, any action that has the potential of reducing corporate tax and increasing after-tax profit would be welcomed by management, as a result, tax planning becomes imperative for management.

Tax planning refers to the legal utilization of the tax laws to one's own advantage, to minimize the amount of tax payable by means that is within the law (Pasternak & Rico, 2018). According to Tiley (2015), tax planning is what sensible people do in order to reduce their tax liabilities. Tax planning does not imply any conscious wrong doing, but rather finding loopholes in the tax laws which could result in paying less tax than required. Thus, effective tax planning strategies should produce benefit in terms of wealth maximization for companies. Hoffman

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(1961) opines that, firms need to understand the prevailing tax laws and apply the laws in a manner that will reduce their tax burden. Scholes *et al.* (2015) support the need for companies to engage in dynamic tax planning by responding to subsequent changes in the tax laws. Traditionally, tax planning is seen as activities that transfer resources which would have gone to government to corporate entities (Wang, 2016).

Although tax planning is perceived to increase after-tax profit and enhance shareholders' wealth, Hundal (2011) argues that, tax planning represents a serious loss of revenue to governments. According to Slemrod (2014), tax planning activities could have negative effect on government revenue needed for the provision of infrastructure and public utilities. In addition, Slemrod points out that, tax planning can also increase compliance cost of collecting taxes.

A wide range of tax incentives are being offered by East African Governments to attract investments specifically Foreign Direct Investments (FDI). It is in this line that every year Rwanda foregoes about a quarter of its potential tax revenue through tax incentives and exemptions given to businesses to attract private sector investment. It has been shown that these tax incentives are leading to very huge revenue losses for governments, hence promoting harmful tax competition in the region, and are not needed to attract FDI. It has been said that Kenya, Uganda, Tanzania and Rwanda are losing up to US$2.8 billion in total per year from tax incentives and exemptions. Rwanda specifically, is regarded as the most generous countries in EAC in providing tax incentives for investment, foregoing about a quarter of its potential revenue each year in tax incentives for businesses, 14% of its potential budget (Lewis *et al.*, 2013).

The process of tax planning includes the implantation of various strategies in order to reduce the amounts of money paid as taxes during a certain period. It also aims at reducing the tax liability to provide more money for covering the expenses, carrying out investments and achieving development. Tax planning is considered one of the financial instruments that tax payers in enterprises and companies depend on when proposing the administrative and financial plans. For instance, adopting tax planning strategies and policies help funders in reducing the amounts of money that are due to be paid as a tax. Tax planning has an impact upon the financial performance of companies and affects their survival in the business market that is highly competitive (Kawor & Kportorgbi, 2014).

Objectives

The general objective of this research was to determine the contribution of tax planning on the profitability of private companies in Rwanda.

Specifically, the study achieved the following objectives;

- To examine the tax planning strategies used by UFC, Plc.

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- To analyze the level of profitability in UFC, Plc.
- To establish the relationship between tax planning strategies and profitability in UFC, Plc.

Problem Statement

Taxation is the government's main source of revenue and, thus, it is the most important contributor to public spending. Therefore, companies are increasingly taking taxes into consideration seriously in today's world (Sabli & Noor, 2012). Nevertheless, tax-payers, specifically companies, continue to perceive taxes to be a burden. This perception stems from the fact that corporations, in general, are sceptical about paying substantial taxes to the tax authorities. This resistance makes them likely to engage in tax planning strategies (Peterson, 2013).

Ayako *et al.* (2015) in Rwanda, most companies include UFC, Plc. had improved in performance other have experienced declining fortunes which has been attributed to the fact that corporate managers another practitioner lack adequate guidance required to attain optimal decisions. Hoffman (2014) noted that tax avoidance not only affects financial performance but also the firm value increases with improved tax planning schemes. It was significantly found that good corporate governance and tax avoidance practices result in greater abnormal returns.

Thus, this study intends to enhance the existing literature on tax planning and profitability of private companies by assessing whether companies in Rwanda can take advantage of good corporate governance structures to reduce the agency cost that militate against the tax planning effect on companies' profitability, especially in UMUTANGUHA Finance Company Plc, period 2014-2019.

LITERATURE REVIEW

Theoretical framework

Hoffman's tax planning theory

According to Hoffmann (1961), taxation, mostly are based on business or accounting concepts, thus a firm can modify such activities towards the attainment of reduction in tax liability. Hoffmann identified some ambiguity and loopholes in tax laws due to unclear intentions of the legislators and concluded that successful tax schemes work with the legal concepts and precise wording of the statute and complying with these concepts very precisely as it relates to individual firm tends to be advantageous to firms in form of tax savings.

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The agency view of tax avoidance

The agency view of tax avoidance on the other hand emphasized on the inability of the tax savings through tax planning strategies to transform into enhancement of after tax return due to agency problem of managerial opportunism or resource diversion. They opined that complex tax avoidance transactions can provide management with the tools, masks, and justifications for opportunistic managerial behaviours, such as earnings manipulations, related party transactions, and other resource-diverting activities thus, tax savings may not actually result to increase on firms' after tax rate of return (Desai & Dharmapala, 2009).

Political cost theory

Murphy (2014) asserted that larger firms have economic and political power advantage over the small firms. Larger firms effectively utilizes their economic and political power to lessen their tax liability being able to engage in aggressive tax planning due to their broad resources and also, he's of the opinion that large firms are opportunistic in manipulating the political principles for the enhancement their after tax returns.

These theories are relevant to this study, a firm which maximizes the loopholes in the corporate tax laws and which maintain an optimal gearing thus having tax shield on the deductible interest tends to lessen its tax burden and increases its after tax returns (Hoffman's theory). From the agency point of view, a firm might utilized all the strategies in reducing its tax burden but the savings not transformed into corporate financial benefit due to agency problem. The agency view theory is of the assertion that managers with their personal interest in conflict with the global interest of the entity might divert such savings to other investment for personal gains. Lastly, the political cost theory believed that larger firms tends to be more matured and possesses expansive resources thus have the capacity of engaging professionals in the formulations and implementations of their corporate strategies with tax liability inclusive (Savita & Gautam, 2013).

Literature related to tax planning

Literature review is about a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic.

Tax Planning Approaches

There are many approaches that can be used by firms in the implementation of tax planning activities. Approaches that are discussed in this segment include participation in the

profit or income change and changes in income properties and re-organization and participation in tax-free or tax-favored investments (Abdul-Wahab, 2010). Tatum (2012) highlighted three common approaches to tax planning which aim to decrease the tax burden. The first is a reduction of the adjusted gross income for a given taxable year (this is where the understanding of recent tax regulations in relation to exemptions and allowances becomes relevant). The second approach to tax planning is to increase the amount of tax cost. This means knowing the recent regulations and their application and when to apply to all normal and customary expenses related to the family or company is important. Because these may change from one year to the next, it is always a good idea to check the local laws. A final approach that is appropriate to effective tax planning concerns the use of tax exemptions. This includes claims relating to college expenses, retirement savings plans, and many other credits. A common instance of the tax credit is the earned income credit, which aims to ease the tax burden for people who earn less than a certain amount in a given calendar year (Tatum, 2012). Curry *et al.* (2007) argued that these methods do not specifically and properly describe the approach to tax planning in a future of uncertainty, as they require ease of detection by the authorities. Their research suggests that, in a scenario where certain strategies have been adopted by taxpayers, the authorities may gain information to aid their efforts in decreasing or preventing the option of tax planning by that exacting approach. In following subsections some approaches of tax planning are discussed.

Income shifting

In applying income shifting approach, taxpayers adjust the nature of their incomes so that income or profit is connected with parties that are subject to inferior tax jurisdictions (Abdul-Wahab, 2010). Sharing of profits or income-shifting occurs in the situation of tax provisions through time and diverse tax rates, the site, and types of income (Slemrod, 1995). For instance, transferring profits to branches in dissimilar tax jurisdictions when tax planning is a concern for authorities as it has numerous negative implications, these include misguiding distributional statistics, misguiding corporate rates of return, and negative results on the efficiency in estimating the marginal surplus burden produced from any change of tax (Gordon & Slemrod, 2002).

Based on the Scholes-Wolfson framework, corporations may turn out to be participating in tax planning during income-shifting or profit-sharing by transferring the revenue from “one pocket to another pocket”, or shifting revenue geographically, transferring profits to a business premises with lesser tax jurisdictions and shifting the income over time (Scholes *et al.*, 2009). Dharmapala and Riedel (2012) supported the hypothesis of income tax-motivated

transformation, using a different identification approach called 'a difference-in-difference approach' than those used in the previous studies.

Dharmapala and Riedel (2012) developed difference and indifference approach to estimate the magnitude and existence of tax motivated income shifting among multinational companies, as the study focused on how a given earnings shock to the parent firm affects low-tax subsidiaries differently than high-tax subsidiaries. Thus, this approach enhances and enriches the sources of evidence on this issue. For example, one cannot rule out the possibility that the results of profit conversion are only an artifact of the effects of time of a specific pairing of countries. In quantitative terms, the estimates indicate that the transfer is a margin of about two percent of the home country's gain (additional) for the low-tax subsidiary. This represents a significant impact, even if it is slightly lower than those found in earlier literature, assuming changes in the rates of company as a source of identity. On the other hand, the fact that these estimates are larger in size indicates that the current legal and economic differences (such as transfer pricing regulations and the rules of thin-capitalism) of the bond tax planning play an important role (Dharmapala & Riedel, 2012).

Modification of income characteristics

Bruce *et al.* (2007) illustrated that firms may reclassify trade income as nonbusiness income and transport it to a low-tax or no-tax state in order to decrease the state tax burden. By reclassifying a non-business income as a business income, a corporation may decrease the tax burden, whilst the business income would be desirable for a capital allowance reduction and business losses reductions. The taxpayers might be participating in tax planning during the modification of the nature of an income.

This is mainly connected to the income-shifting strategy, as it supplies a chance for firms to change the nature of the income from domestically-received to foreign income. Additionally, companies may follow tax planning by shifting the nature of an income during adjustment from income-revenue in nature to capital gain in nature. In the case of reduced capital gain tax rates in relation to income tax rates, this strategy is efficient. Similarly, a corporation may also be participating in tax planning by shifting the nature of an income from a business to non-business income or vice versa (Bruce *et al.*, 2007).

Organizational structure

Reorganization is a further tax planning approach that may be adopted by some corporations. Desai and Dharmapala (2006) highlighted the fact that any prediction of the directional correlation between tax planning and equity incentives is subject to the corporate

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structure. However, it is not clear how a group manager is capable to extract rents from the company (Armstrong *et al.*, 2012). In a case-study of conglomerates, Stonham (1997) documented that, in 1996, corporations benefited from their tax planning through a demerger strategy in which they successfully achieved the U.S. tax authorities' agreement of a tax-free sharing of the stock dividend to their nationals. This allowed the corporations to gain some advantages in the form of tax exemption, a tax shield and a lesser tax bill. Nevertheless, a taxpayer must conduct a comprehensive examination before accepting this approach because of various differing structures and the difficulty of a demerger. On the other hand, tax planning can be taken via reorganizations by both international and domestic corporations. Moreover, the reorganizations by domestic firms include share reorganizations, mergers and demergers, amalgamations, reconstructions, management buyouts and share purchases, whilst international corporations may be engaged in transformation from subsidiary to branch or vice-versa, or multinational mergers and reorganizations (Abdul-Wahab, 2011).

Goodbody (2012) found, for instance, that Henderson and Accenture, were observed to migrate their company-holding corporations from the U.S. to Ireland to enjoy tax planning advantages while the latter supplied tax incentives to holding corporations, such as domestic exemptions from withholding tax, exemption on qualified capital gains, and lesser tax rates on Ireland-derived trading income. Likewise, a tax planning approach during reorganization could be approached by changing the residential situation of a firm. This strategy is also mentioned to as "company migration" or "company inversion" (Goodbody, 2012). Tax planning during the organizational structure could be achieved through disintegration, migration of companies, and a reflection of the companies (Abdul-Wahab, 2010).

Tax-Exemption

In line with the aforementioned tax planning approaches, dealing with tax-favored or tax-exempt investments is an efficient tax planning approach. Tax exemption involves a person or organization not being taxed on a purchase or income that normally would be subject to some form of taxes. Some tax systems provide tax exemptions to organizations of people, items of property, taxable income, and others, under order. Tax credit may also refer to a personal exemption allowance or type of currency (Manzon & Plesko, 2002). This occurs when the firm claims for exemption to reduce one type of taxable income. Moreover, tax credits can provide the payment of taxpayers' tax in full, whilst other cases may be subject to a reduced rate, or partially subject to tax (Scholes *et al.*, 2008). Tax-favored investments may enjoy numerous types of tax-favored status; for instance, and tax credits and full tax exemption, actually, the

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investment might enjoy further than one tax-favored status. It is known that tax-favored investments are clearly taxed more lightly than fully taxable bonds (Scholes *et al.*, 2008).

Tax incentives

UNCTAD (2003) defines tax incentives as any incentives that reduce the tax burden of any party in order to induce them to invest in particular projects or sectors. They are exceptions to the general tax regime and may include, reduced tax rates on profits, tax holidays, accounting rules that allow accelerated depreciation and loss carry forwards for tax purposes, and reduced tariffs on imported equipment, components, and raw materials, or increased tariffs to protect the domestic market. Tax incentive as a provision that grants any person or activity favorable conditions that deviate from the normal provisions of the tax legislation. Tax expenditures refer to revenue losses that a government incurs by providing tax exemptions, deductions or allowances, tax credits, preferential tax rates or deferral of tax payments legally to any party in the economy (Gravelle, 2013).

Keen, (2013) defines Tax incentives as all measures and strategies which provide for more favorable tax treatment to a certain activities or sector, he went on to describe the following to be Typical Tax Incentives:

- Tax holidays: is defined as the temporal exemption of business investment from certain specified taxes, typically at least corporate income tax. Partial tax holidays offer the reduced obligations rather than full exemption.
- Special zones: are placed in geographically limited areas where qualified companies can locate and hence benefit from the exemption of various scope of taxes or administrative requirements.
- Investment tax credit: this is the deduction of some fraction of an investment from the tax liability.
- Investment allowance: is the deduction of some fraction of an investment from taxable profits (in addition to depreciation).
- Reduced tax rates: are the reduction in a tax rate, specifically the corporate income tax rate.
- Exemptions from various taxes: are the exemption from certain taxes, most of the time those collected at the border such as tariffs, excises and VAT on imported inputs.
- Financing incentives: are the reductions in tax rates for the funds providers for example: the reduced withholding taxes on dividends.

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Tax planning objectives

As argued by the American Institute of CPAs (AICPA), tax planning has two main objectives. The first is to minimize the overall income tax liability, whilst the other is to fulfil financial planning aims with minimal tax results (AICPA, 2015). These goals are achieved through three broad strategies. The first aims to reduce the income tax resulting from an arrangement or a transaction. The second involves shifting the timing of a taxable event, and the third relates to shifting income to another taxpayer, thus, reducing tax liability (AICPA, 2015). According to AICPA it is clear that the main objective of TP is to reduce the tax burden. This, therefore reduces the cost of tax liabilities. This means that tax-payers can take advantage of their ability to reduce tax liabilities in order to achieve the goal of TP as explained clearly by Hoffman (1961). Alternatively, tax planning is viewed from two different perspectives. The first, due to the negative impact of managerial opportunism, is the view that TP is on par with tax evasion. The other orientation offers a direct solution to this problem. If conducted properly, TP activities undertaken within the tax law benefit both managers (agent) and shareholders (principal) and can reduce the tax burden borne by each party through effective TP strategies (Minnick & Noga, 2010; Sabli & Noor, 2012).

Efficient TP works to reduce the tax burden whilst, at the same time, does not bear any costs. This means that TP must be practiced with skill and adequate knowledge. It is also significant to observe that the best and optimal target for TP is to maximize the returns after taxes, because the goal of reducing taxes will contribute to the creation of non-tax costs (Scholes *et al.*, 2008). On the contrary, it is also important to note that not all the activities of TP necessarily decrease the tax liability to one's required lowest level, because there is no certainty in TP due to the possibility of nontax costs (Hoffman, 1961). The prime objective of TP is to present all items of a financial plan in the most tax-efficient way possible (Atlas, 2011). Based on the above, the objective of TP should take into account all the components of the financial plan in order to avoid contributing to the creation of new costs borne by the company and help reduce the tax burden in line with the requirements of effective planning for the work of the organization as a whole (Scholes et al., 2008). On the other hand, the objective of TP is not to evade payment of tax, but for a taxpayer to optimize his or her tax exposure (Badertscher *et al.*, 2011). In many cases, the primary goal of TP is the application of the laws in such a way they allow business or an individual to reduce the amount of taxable income in any given period. Thus, planning for taxes requires the knowledge of which types of income are currently entitled to be free of taxes. The process also necessitates an understanding of what types of expenses can be considered as legitimate deductions and any conditions that can be used in the application for tax deductions (Jones & Rhoades-Catanach, 2005).

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Literature related to Profitability

Proimos (2009) described as profitability as the ability to make profit from all the business activities of an organization, company, firm, or an enterprise. Külter & Demirgüneş (2007) asserted that profitability is the relationship of income to some balance sheet measure which indicates the relative ability to earn income on assets. Profitability is measured using profitability ratio. Profitability is a measure of the amount by which a company's revenues exceeds its relevant expenses. The profitability position of a company is measured using the gross profit margin and the net profit margin. Profitability ratios are used to evaluate the management's ability to create earnings from revenue-generating bases within the organization (Atril & McLaney, 2006).

Net profit margin

Atril and McLaney (2006) net profit ratio indicates the ability of management to operate the business with sufficient success not only to recover from revenues of the period, all the expenses including depreciation and interest, but also to leave a margin of reasonable compensation to the owners for providing their capital at risk. This ratio event the amount of net profit earned by rupee of income.Net profit margin is calculated as follows:

Net Profit margin= $\frac{\text{profit after tax}}{\text{Sales}}$

Return on asset (ROA)

Atril (2006) ROA measures the ability of the company management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate the income. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution. This ratio measure of profitability from a given level of investment. It is an excellent indicator of overall performance of a company. It is calculated as follows:

Return on assets= $\frac{\text{Profit after tax}}{\text{Average total assets}}$

Fabozzi & Peterson (2003) stated that a higher ROA shows that the company is more efficient in using its resources.

Return on equity

Babarinde (2003) return on equity is a single most important ratio for judging the profitability of an organization in terms of return to the owners. This ratio reflects that how much the firm has earned on the funds invested by the shareholders. This ratio is expressed in the

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percentage form of net profit earned to the owner's equity. The ratio measures the efficiency with which shareholders' fund are employed. ROE is calculated as follow:

$$\text{ROE} = \frac{\text{Profit after tax}}{\text{Average shareholder's equity}}$$

Atril (2006) business with high return on equity is more likely to be one that is capable of generating cash internally. Thus, the higher the ROE the better the company is in terms of profit generation. ROE represents the rate of return earned on the funds invested in the bank by its stockholders. ROE reflects how effectively a bank management is using shareholders' funds.

Empirical studies

Correlative-description design using cross sectional method of analysis was conducted by Desai and Hines (2002); *Chen et al.* (2010) established that intensive tax planning is associated with higher firm performance. On the other hand, the study reported that tightening of the tax system is positively associated with higher market performance of firms. The same positive association was reported between tax planning savings and performance for well-governed firms by Desai and Dharmapala (2009) concluded that corporate governance mediates the tax planning-firm performance relationship.

Rohaya *et al.* (2010) are of the opinion that larger companies endure higher effective tax rates (ETR) in the examination of Malaysian public companies listed on Bursa Malaysia. This conclusion was established during official assessment system and self-assessment system tax regimes. The study also concluded that lower ETRs are significantly related to highly leverage companies, greater investment in fixed assets and lower investment in inventory. The results of the investigation by Abdul-Wahab and Holland (2012) which sought to know the relationship between tax planning savings of firms and their value utilized the regression model was negative. Indeed, relationship between firm value and tax planning activities from the perception that as tax planning activities increase, the tax costs and risks outweighs the benefits.

Kawor and Kportorgbi (2014) found that tax savings enhanced after tax earnings of Ghanaian firms but does not reflect in the firm's value. The result is consistent with the Agency theory notion that not all management strategies tends towards the achievement of wealth maximization objectives. In a similar vein, the adoption of the Generalized Least Squares (GLS) regression model by Ftouhi *et al.* (2014) to examine the relationship between firms' value and tax planning with firm size, leverage, capital intensity, dividend and earnings

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management as control variables found a significant and negative relationship between firm value and tax planning also supports the Agency cost theory of tax planning.

Goh *et al.* (2013) examined the relation between the firm cost of equity and corporate tax avoidance by using three measures that capture less extreme forms of corporate tax avoidance: book-tax differences, permanent book-tax differences, and long-run cash effective tax rates. The study found that less aggressive forms of corporate tax avoidance significantly reduces a firm's cost of equity. Further analysis reveals that this effect is stronger for firms with better outside monitoring. It is also applicable to firms that likely realize higher marginal benefits from tax savings, and firms with better information quality.

Heitzman and Ogneva (2015) evaluated the relationship between Corporate Tax Planning and Stock Returns of all U.S. firms traded on NYSE, AMEX or Nasdaq from 1988 to 2013 using panel regression analysis; they concluded that high tax planning firms do indeed earn higher returns, but only during periods when tax enforcement is low; the study also discovered that small firms have less diversified tax strategies than large, complex firms due to: lack of scale and complexity, high exposure to adverse consequences of government actions inability to finance high fixed costs of tax planning strategies. The study found that large firms are less exposed to tax policy risk due because they are consistently audited. The study suggested that boards and managers should primarily focus on the expected incremental cash flows from tax planning. Similarly, the study of Armstrong *et al.* (2012) on the relationship between the incentives of the tax director and GAAP and cash effective tax rates, the book-tax gap, and measures of tax aggressiveness, revealed that: tax directors are provided with incentives to reduce the level of tax expense reported in the financial statements, hiring of experts for tax services complements "aggressive" tax planning, more profitable firms have greater probability of participating in tax shelters and thus enhancing their after tax returns, that large firms tends to engage in tax shelter compared to small firms due to huge fixed costs of entering into tax shelter transactions.

Conceptual framework

A conceptual framework represents the researcher's synthesis of literature on how to explain a phenomenon. It illustrates actions required in the course of the study given his previous knowledge of other researchers' point of view and his observations on the subject of research. It shows the relationship between variables.

The concept framework model (figure 1) presents the empirical relationship between the independents variable "tax planning" and dependent variable "profitability". The indicators of each variable were selectively obtained from reviewed literatures.

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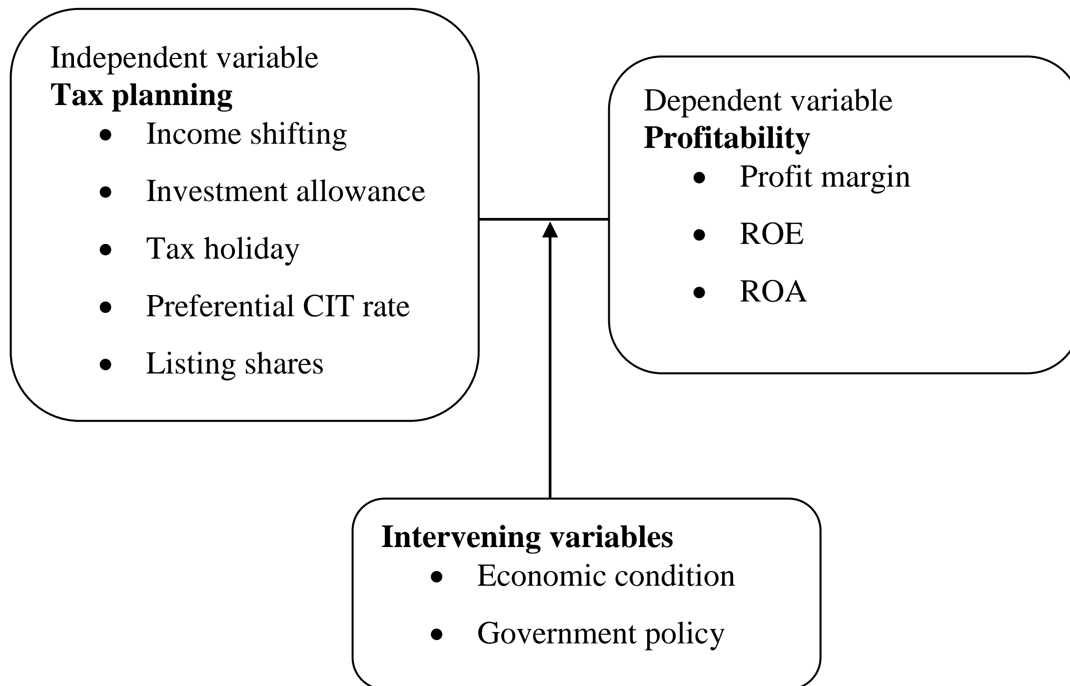

Figure 1: Conceptual framework

RESEARCH METHODOLOGY

The methodology of carrying out this research is based on the objectives of the paper and the availability of relevant information. The decision to choose a specific methodology should be based on its suitability to achieve research objective (Bell, 1993). This section is to presents the methods and techniques used to collect, to analyze and present the data.

Research design

The research design may be defined as the arrangement of conditions for collection, and analysis of data in a manner that aims to combine relevance research purposes with the economy in procedure (Kothari, 2003). Descriptive survey research design was adopted for this study. Descriptive research design is a scientific method of investigation in which data is collected and analysed in order to describe the current conditions, terms or relationships concerning a in a certain specific field Problem (Mugenda & Mugenda, 2003).

Source of data

After that, the sources of data for this research are both primary and secondary data. The primary and secondary data were used in the course of this study. The primary data collected using questionnaire and oral and structured interview (Sekaran, 2005).

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Primary data source

The primary data are those data collected to the specific problem or issue under the investigation. The primary data are necessary when a trough analysis of secondary data is unable to provide satisfactory information and they additionally argued that primary data are collected to fit precise purposes of current research problem (Kenneth, 1978). The primary data collected through the answers that were given by respondents as a result of having used self-designed questionnaire, observation and interview as the instruments of data collection.

Secondary data source

The secondary data is the data gathering method that makes use of pre-existing data. Then, during such research, an extensive study and review of published and unpublished documents, reports journals, newspapers and policy reports relevant to the study can be used (Kothari, 2003). In present study, secondary data were drawn from the permanent books and file of some surveyed MFIs. The permanent file includes among other documents: the statute, the strategic plan and other necessary documents were considered for the success of this research. Secondary Data summarizes information from books, newspapers, reports and websites.

Instruments of data collection

In collecting data, the instruments such as questionnaire, and documentary techniques were utilized.

Questionnaire technique

According to Sekaran (2005), this technique is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information respondents, though they are often designed for statistical analysis of responses. The questionnaires were distributed to the management of UMUTANGUHA FINANCE COMPANY, PLC.

Documentary technique

The documentary technique is used to go through different theoretical and conceptual views on development strategies and project management (Sekaran, 2005). Different sources were consulted to get accurate and useful information and data for our study.

Study population

Population is defined as a group of or category of human being, animals and other things that have one or more characteristics in common as a target population of the universe

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(Kenneth, 1978). The total populations were 128 employees of UFC, Plc but target population were 35 employees who are intended to the management of UFC, PLC.

Sampling technique

Sampling is the process of systematically selecting representative elements of a population. When these selected elements are examined closely, it is assured that the analysis revealed useful information about the whole population (Kendall & Kendall, 1992). For the purpose of this study the use of purposive sampling helped to select the respondents. According to Grinnell and Williams (1990), purposive sampling refers to a non-probability sampling that is often called purposive the sample elements are handpicked because they are expected to serve the research purpose.

Sampling size

According to Grinnell and William (1990), Sample size before selected, the researcher has to decide on how many people are needed to take part in the study. In other words, the researcher decided on sample size to be used.

For this research study conducted in UFC, Plc, and the research has been used 35 employees as a sample size where those 35 people were employees who participate many times in the management of UFC, Plc.

Table 1: Population & Sampling

Department	Population	Sample
CEO	1	1
Finance department	4	4
Operations department	22	22
Administration officer	1	1
Internal auditor	1	1
Marketing department	2	2
Legal department	2	2
IT department	2	2
Total	35	35

Data processing

According to Morgan (1988), data processing is concerned with classifying data into meaningful categories called codes. Suggested some steps involved in data processing such as editing, coding and tabulation. The data was assembled through the means of self-administered

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questionnaire (Primary data) as well as reading the different materials such as text books, the internet sources, journals etc. (Secondary data). Data that were collected from the primary survey and secondary survey were compiled, sorted, edited, coded in order to have the required quality accuracy and were analysed statistically using statistical package for social scientist (SPSS). Principal component analysis approach and varimax rotation methods were used to determine those factors that explain tax planning strategies.

Editing

According to Pitcher (2002), editing is the process by which errors in completed questionnaires are identified whenever possible. The major aim of editing is to discover mistakes made during the field study, to monitor accuracy and find out whether there are some unfilled spaces in questionnaire guide. Editing ensured that the skip patterns were followed and required questions are filled out and involve the inspection and if necessary, connections of each questionnaire or observation form; the basic purpose of editing is to impose some minimum quality standards on the raw data.

Coding

According Mintzberg (2006), coding is the process of classifying the answers to questions into meaningful categories. It involves the transformation of gathered result from the field study into categories converted into codes for easy quantitative analysis. Through coding, the raw data will be transformed into symbols usually numerals that will be tabulated and counted. The transformation is not automatic; however, it involves judgment on the part of coder. Similar responses will be grouped according to their different categories; this helped the researcher to know for instance the percentage of responses on whether there is the contribution of tax planning on the profitability of private companies in Rwanda.

Tabulation

Tabulation refers to the part of technical process on statistical analysis of data that involves counting to determine the number cases that fall into various categories (Saunders *et al*; 2007). Tabulation is putting data into table form such a statistical tables showing the number of occurrence of response to particular questions. Frequency distribution tables shall be used after editing and coding of data. Thus after eliminating errors, codes will be assigned to each answer and this stage led to the construction of statistical tables showing frequency distribution of answers to questions addressed to respondents.

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Data analysis

The resulst of the analysis were presented in form of tables for the interpretation. Quantitative data were entered into Statistical Package for Social Science (SPSS) and were analyzed using descriptive statistics. The SPSS was used to establish the relationship between tax planning strategies and profitability in UFC, Plc. A multiple regression analysis was used to determine model on tax planning strategies and profitability in UFC, Plc. t-tests was used to examine the variability of each variable of tax planning.

Profitability (P) = F (tax planning (TP))

$P = \beta 0 + \beta 1TP + \alpha$ ………………………………………………1

TP = F (Investment Allowance (IA), Listing shares (LS), Tax holiday (TH), Preferential CIT Rate (PCR), Income Shifting).

$TP = \beta 0 + \beta 1IA + \beta 2LS + \beta 3TH + \beta 4PCR + \beta 5IS + \alpha$

Substituting in one above

$P = \beta 0 + \beta 1IA + \beta 2LS + \beta 3TH + \beta 4PCR + \beta 5IS + \alpha$

FINDINGS

The tax planning strategies used by UFC, Plc.

The first objective of this study was to assess the tax planning strategies used by UFC, Plc. This section analyses the findings collected from the survey on tax planning strategies used by UFC, Plc. The findings are shown in the tables below.

Table 2: Respondents' views on understand the tax laws in Rwanda

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	14	40.0	40.0	40.0
	Agree	19	54.3	54.3	94.3
	Disagree	2	5.7	5.7	100.0
	Total	35	100.0	100.0	

Results in table 2 shows the understandability of the tax laws in Rwanda, where 40% of respondents were strongly agree, 54.3% were agree and 5.7% disagreed that the understand the tax laws in Rwanda. The results from the survey revealed that, majority of respondent agreed that the understandability of the tax laws in Rwanda as represented by 94.3% of the respondents. Taxation means in other words the contribution imposed by the government to its people or individual, companies for the use of government to provide services or facilities the by government (Vann & Holland, 1998).

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Table 3: Respondents' views on aware of the tax planning strategies that are available in the tax laws in Rwanda

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	7	20.0	20.0	20.0
	Agree	23	65.7	65.7	85.7
	Disagree	5	14.3	14.3	100.0
	Total	35	100.0	100.0	

In table 3, respondents were asked whether there are aware of the tax planning strategies that are available in the tax laws in Rwanda. The results from the survey indicated that 20% of the respondents strongly agreed, 65.7% agreed and 14.3% disagreed. The results showed that a large number of respondents agreed that aware of the tax planning strategies that are available in the tax laws in Rwanda. Tax planning does not mean skipping the payment of income tax; it is just an efficient allocation of earned income in different tax savings investment instruments to attain maximum benefits by a taxpayer (Kalgutkar, 2018).

Table 4: Tax planning strategies enjoyed in UFC, Plc

Tax Planning strategies	Frequency	Percentage
Income shifting	19	54.3
Accelerated depreciation	23	65.7
Modification of income characteristics	9	25.7
Wear and tear	13	37.1
Loss carried forward	6	17.1
Tax holiday	35	100
Listed shares	21	60
Research and development	14	40
Preferential CIT rate	26	74.3
VAT refund	31	88.6
Tax exemption	29	82.9

Table 4 shows that the tax planning strategies enjoyed in UFC, Plc, where 54.3% of respondents mentioned income shifting; 65.7% of respondents mentioned that they accelerated depreciation; 25.7% of respondents mentioned modification of income characteristics; 37.1% of respondents mentioned wear and tear; 17.1% of respondents mentioned loss carried forward; 100% of respondents mentioned tax holiday; 60% of respondents mentioned listed shares; 40% of respondents mentioned research and development; 74.3% of respondents mentioned preferential CIT rate; 88.6% of respondents

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mentioned VAT refund; 82.6% of respondents mentioned tax exemption. Basing on the results from the respondents, show that the tax planning strategies enjoyed in UFC, Plc the largest number of respondents mentioned tax holiday. Companies and cooperatives that carry out micro finance activities approved by competent authorities pay corporate income tax at the rate of zero percent (0%) for a period of five (5) years from the time of their approval (RRA, 2018).

Table 5: Respondents' views on whether Rwandan government grants tax incentive

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	8	22.8	22.8	22.8
	Agree	24	68.6	68.6	91.4
	Disagree	3	8.6	8.6	100.0
	Total	35	100.0	100.0	

Findings in the table 5 show that 22.8% of respondents strongly agreed; 68.6% of respondents agreed and 8.6% of respondents disagreed to the statement that Rwandan government grants tax incentive. According to Gravelle (2013), tax incentive is a provision that grants any person or activity favorable conditions that deviate from the normal provisions of the tax legislation.

Table 6: Respondents' views on whether tax planning improve companies performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	17	48.6	48.6	48.6
	Agree	13	37.1	37.1	85.7
	Disagree	5	14.3	14.3	100.0
	Total	35	100.0	100.0	

Findings in the table 6 show that 48.6% of respondents strongly agreed; 37.1% of respondents agreed and 14.3% of respondents disagreed that the tax planning improve companies' performance Tax planning has an impact upon the financial performance of companies and affects their survival in the business market that is highly competitive (Kawor & Kportorgbi, 2014).

Table 7: Respondents' views on whether change in government policy on tax affect private companies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	8	22.8	22.8	22.8
	Agree	15	42.9	42.9	65.7

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		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	8	22.8	22.8	22.8
	Agree	15	42.9	42.9	65.7
	Disagree	12	34.3	34.3	100.0
	Total	35	100.0	100.0	

Findings in the table 7 show that 22.8% of respondents strongly agreed; 42.9% of respondents agreed and 34.3% of respondents disagreed that change in government policy on tax affect private companies. According to Slemrod (2014), tax planning activities could have negative effect on government revenue needed for the provision of infrastructure and public utilities. In addition, Slemrod points out that, tax planning can also increase compliance cost of collecting taxes.

Table 8: Respondents' views on whether private companies are guided on how to meet their tax obligation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	10	28.6	28.6	28.6
	Agree	16	45.7	45.7	74.3
	Disagree	9	25.7	25.7	100.0
	Total	35	100.0	100.0	

Findings in the table 8 show that 28.6% of respondents strongly agreed; 45.7% of respondents agreed and 25.7% of respondents disagreed that private companies are guided on how to meet their tax obligation. Tax planning has been identified as the best option, within legal guidelines, to reduce the tax burden. This is achieved through the differing of tax rates between distinctive jurisdictions and economic activities, as well as many of the tax incentives provided under tax laws (Fallan etal., 1995).

Table 9: Respondents' views on whether double taxation affects profitability of companies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	13	37.1	37.1	37.1
	Agree	18	51.4	51.4	88.5
	Disagree	4	11.4	11.4	100.0
	Total	35	100.0	100.0	

Findings in the table 9 show that 37.1% of respondents strongly agreed; 51.4% of respondents agreed and 11.4% of respondents disagreed that double taxation affects profitability of companies. Basing on these results from the respondents the majority of

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respondents agree that the double taxation affects profitability of companies. Efficient TP works to reduce the tax burden whilst, at the same time, does not bear any costs. This means that TP must be practiced with skill and adequate knowledge. It is also significant to observe that the best and optimal target for TP is to maximize the returns after taxes, because the goal of reducing taxes will contribute to the creation of non-tax costs (Scholes *et al.*, 2008).

Table 10: Respondents' views on whether tax planning strategies reduce tax burden on private companies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	16	45.7	45.7	45.7
	Agree	17	48.6	48.6	94.3
	Disagree	2	5.7	5.7	100.0
	Total	35	100.0	100.0	

Findings in the table 10 show that 45.7% of respondents strongly agreed; 48.6% of respondents agreed and 5.7% of respondents disagreed that tax planning strategies reduce tax burden on private companies. Tax planning refers to the legal utilization of the tax laws to one's own advantage, to minimize the amount of tax payable by means that is within the law (Pasternak & Rico, 2018).

Table 11: Respondents' views on whether tax incentives can be utilized by the government to encourage growth and expansion private companies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	7	20	20.0	20.0
	Agree	17	48.6	48.6	68.6
	Disagree	11	31.4	31.4	100.0
	Total	35	100.0	100.0	

Findings in the table 11 show that 20% of respondents strongly agreed; 48.6% of respondents agreed and 31.4% of respondents disagreed that tax incentives can be utilized by the government to encourage growth and expansion private companies. Rwanda specifically, is regarded as the most generous countries in EAC in providing tax incentives for investment, foregoing about a quarter of its potential revenue each year in tax incentives for businesses, 14 per cent of its potential budget (Lewis *et al.*, 2013).

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Table 12: Respondents' views on whether tax planning strategies have serious effects on the profitability of private companies in Rwanda

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	31.4	31.4	31.4
	Agree	15	42.9	42.9	74.3
	Disagree	9	25.7	25.7	100.0
	Total	35	100.0	100.0	

Findings in the table 12 show that 31.4% of respondents strongly agreed; 42.9% of respondents agreed and 25.7% of respondents disagreed that tax planning strategies have serious effects on the profitability of private companies in Rwanda. Murphy (2014) argues that, firms are likely to hire tax expert with the aim of reducing their tax burden. Thus, any action that has the potential of reducing corporate tax and increasing after-tax profit would be welcomed by management, as a result, tax planning becomes imperative for management.

The level of profitability in UFC, Plc

This section sought to identify the level of profitability in UFC, Plc. This section analyses the findings collected from the survey on the level of profitability in UFC, Plc. The findings were presented and analyzed on the following tables.

Table 13: Respondents' views on whether tax planning strategies had impact on profitability of UFC, Plc

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increased from 0-20%	12	34.3	34.3	34.3
	Increased from 20 – 50%	11	31.4	31.4	65.7
	Increased from 50 – 100%	8	22.9	22.9	88.6
	No impact	4	11.4	11.4	100.0
	Total	35	100.0	100.0	

Findings in the table 13 shows the impact of tax planning strategies had on profitability of UFC, Plc, where 34.3% of respondents mentioned that their profit had Increased from zero up to twenty percent; 31.4% of respondents mentioned that their profit had Increased from twenty up to fifty percent; 22.9% of respondents mentioned that their profit had Increased from fifty up to a hundred percent; 11.4% of respondents mentioned that there is no impact. Basing on these results from the respondents the majority of respondents agree that impact of tax planning strategies had on profitability of UFC, Plc. Proimos (2009), described as profitability as the ability to make profit from all the business activities of an organization, company, firm, or an enterprise.

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Table 14: Net profit margin of UFC, Plc

Years	Formula	Rwf	Net profit margin
2014	Profit After Tax / Sales	176,742,250 / 859,696,792 x 100	20.5%
2015	Profit After Tax / Sales	81,139,812 / 819,270,288 x 100	9.9%
2016	Profit After Tax / Sales	107,921,956 / 1,204,413,750 x 100	8.96%
2017	Profit After Tax / Sales	143,361,298 / 1,753,642,934 x 100	8.17%
2018	Profit After Tax / Sales	225,258,050 / 2,086,603,123 x 100	10.79%
2019	Profit After Tax / Sales	335,488,964 / 2,457,379,646 x 100	13.65%

Table 14 shows the level profitability of UFC, Plc as measured by the net profit margin; the results revealed that on every 100 Francs of the sales the company only gained 20.55 francs in 2014; 9.9 francs in 2015; 8.96 francs in 2016; 8.17 francs in 2017; 10.79 francs in 2018 and 13.65 francs in 2019. Atril and McLaney (2006) net profit ratio indicates the ability of management to operate the business with sufficient success not only to recover from revenues of the period, all the expenses including depreciation and interest, but also to leave a margin of reasonable compensation to the owners for providing their capital at risk.

Table 15: Return on Asset of UFC, Plc

Years	Formula	Rwf	ROA
2014	Profit After Tax / Total Assets	176,742,250 / 2,370,076,591 x 100	7.4%
2015	Profit After Tax / Total Assets	81,139,812 / 3,495,677,756 x 100	2.3%
2016	Profit After Tax / Total Assets	107 921 956 / 4,694,026,296 x 100	2.3%
2017	Profit After Tax / Total Assets	143,361,298 / 5,768,544,996 x 100	2.5%
2018	Profit After Tax / Total Assets	225,258,050 / 8,002,477 284 x 100	2.8%
2019	Profit After Tax / Total Assets	335,488,964 / 10,114,884,582 x 100	3.3%

Table 15 shows the level of profitability of UFC, Plc as measured by the ROA; the results revealed that on every 100 Francs invested in the assets the company only gained 7.4 francs in 2014; 2.3 francs in 2015; 2.3 francs in 2016; 2.5 francs in 2017; 2.8 francs in 2018 and 3.3 francs in 2019. Atril (2006) ROA measures the ability of the company management to generate

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income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate the income.

Table 16: Return on Equity of UFC, Plc

Years	Formula	Rwf	ROE
2014	Profit After Tax / Total Equity	176,742,250 x 100 / 1,037,009,041	17%
2015	Profit After Tax / Total Equity	81,139,812 x 100 / 1,412,618,388	5.7%
2016	Profit After Tax / Total Equity	107 921 956 x 100 / 1,843,175,901	5.9%
2017	Profit After Tax / Total Equity	143,361,298 x 100 / 2,070,404,699	6.9%
2018	Profit After Tax / Total Equity	225,258,050 x 100 / 2,124,761,310	10.6%
2019	Profit After Tax / Total Equity	335,488,964 x 100 / 2,540,865,781	13.2%

Table 16 shows the level of profitability of UFC, Plc as measured by the ROE; the results revealed that on every 100 Francs of the total equity the company only gained 17 francs in 2014; 5.7 francs in 2015; 5.9 francs in 2016; 6.9 francs in 2017; 10.6 francs in 2018 and 13.2 francs in 2019. Babarinde (2003) return on equity is a single most important ratio for judging the profitability of an organization in terms of return to the owners. This ratio reflects that how much the firm has earned on the funds invested by the shareholders.

Relationship between tax planning strategies and profitability in UFC, Plc

Considering the contribution of tax planning on the profitability of private companies in Rwanda, the research established the statistical relationship between tax planning strategies and profitability in UFC, Plc. The relationship was established through Pearson correlation analysis using Pearson Moment correlation coefficient as depicted in table below.

Table 17: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888[a]	.788	.622	.24618

a. Predictors:(constant), investment allowance, income shifting listing shares, tax holiday, preferential CIT rate

Findings in Table 17 provide both the coefficient of determination is Adjusted R Square and the coefficient of correlation is R. The coefficient of determination (R^2=0.622) explained the

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explanatory power of the model and indicates that 62.2% of variation in the level of profitability of UFC, Plc is being explained by the variation in the explanatory variable such as investment allowance, income shifting, listing shares, tax holiday and preferential CIT rate. However, the adjusted R square of 62.2% indicates that there are other variables that affect the level of profitability of UFC, Plc such as government policy, economic conditions which are not captured by the model formulated in the study that account for about 37.8% variation not explained by the model. The coefficient of correlation (R=0.888) is greater than 0.5. This indicates that there is a strong positive and moderate relationship between tax planning strategies and profitability in UFC, Plc.

Table 18: Estimated coefficients of the model

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.821	.301		2.727	.054
	Investment allowance	.636	.216	.822	2.941	.057
	Income shifting	.773	.289	386	2.674	.053
	Tax holiday	.664	.234	.469	2.874	.056
	Listing shares	.686	.272	.356	2.522	.054
	Preferential CIT Rate	.715	.281	.427	2.544	.057

a. Dependent Variable: Profitability

Finding in Table 18 shows the estimated coefficients of the regression model of this study. From the findings, all the coefficients are statistically significant considering the positive value of the coefficients and a significance level great than 0.05. However, there is a correlation between investment allowance and level of profitability of UFC, Plc (b=0.636, sig=.057) indicating that the investment allowance itself explain 63.6% of the variation in the effectiveness of the level of profitability of UFC, Plc. Moreover, there is significant and strong positive relationship between income shifting and evaluations with level of profitability of UFC, Plc (b=0.773, sig=0.053) indicating that the 77.3% of the variation in the level of profitability of UFC, Plc s is explained by income shifting. Tax holiday has significant and positive relationship with the level of profitability of UFC, Plc (b=0.664, sig=0.056) indicating that 66.4% of the variation in the level of profitability of UFC, Plc is explained by tax holiday. Listing shares has significant and positive relationship with the level of profitability of UFC, Plc (b=0.686, sig=0.054) indicating that 68.6% of the variation in the level of profitability of UFC, Plc is explained by listing shares. Preferential CIT Rate has significant and positive relationship with the level of profitability of UFC, Plc (b=0.715, sig=0.057) indicating that 71.5% of the variation in the level of profitability of UFC, Plc is explained by Preferential CIT Rate.

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CONCLUSION AND RECOMMENDATIONS

Study conclude that tax planning is defined in general as being the procedure of structuring one's affairs in order to postpone, decrease or even eliminate the amount of taxes payable to the government. Numerous tax planning approaches have been identified, including income shifting, modify of characteristics of income, organizational structure and tax-exemption, investment allowance, listing shares, tax holiday, preferential CIT rate. The primary motivations for undertaking tax planning are the expected financial benefits. This study analyzed the level of profitability by net profit margin, ROA and ROE. The study found that there is a strong positive relationship between tax planning strategies and profitability in UFC, Plc.

On the basis of the findings in this research work the recommendations are as follows.

- The study recommends adequate measures should be put in place by managers of the company to improve and grow their level profitability through tax planning strategies.
- The company should continue effective management of their total assets as this positively influenced their financial performance.
- The companies should engage the services of tax practitioners in managing their tax computations and remittances
- Government should reduce the double taxation on private companies because its affects their growth

FURTHER RESEARCH

Even though this study has provided adequate information about the contribution of tax planning on the profitability of private companies in Rwanda, more researches is still needed because this area has limited numbers of researchers despite its crucial and unchallengeable role in Rwanda’s Taxation. Other researchers also should carry out research on the following issues: The effect of tax planning on the firms’ value in Rwanda.

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