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## **The Development of the Value Added Tax to the Cash Register System in the Democratic Republic of Congo**

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### **PREFACE**

The use of information and communication technology (ICT) to support tax administration constitutes an element that has been added to the Congolese economic circuit. It generates evaluable consequences and can be a determining factor in the management reform and control of tax in a country where tax declaration is managed manually by filling in with a pen as well as invoicing, forms declarations being self-liquidated by the taxable persons.

The establishment of the value added tax (VAT) in DR Congo has demonstrated certain limits linked to the administration and use of ICT, particularly in terms of management and control of VAT, due to the technological gap between subject to this tax and the tax administration due to insufficient reporting of tax information. This forces the tax administration to innovate by entering into a digital dimension with the acquisition of an information and communication technology (ICT) instrument as a crutch or tool to assist in tax management. VAT.

This study shed light on the tax-computer-financial dynamics in the context of tax automation as carried out throughout the world, to enable the tax administration to adapt and catch up with its ability to integrate into the digital economy, with a view to collecting, storing, processing and dividing tax information in real time.

Here we highlight the advantages, the limits, as well as the precautions to take before implementing the cash register system in a tax administration that aims to be efficient and modern. This is the only way that would allow the reliable reporting of tax information, strengthen VAT compliance, and therefore optimal maximization of expected revenue.

Keywords: VAT, cash register, implementation, tax administration, digital.

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### **INTRODUCTION.**

This publication is part of a particular context: on the one hand, the rapid evolution of digital development, and on the other hand, the ability of the tax administration to adapt to this dynamic and to the management of Value Added Tax.

The establishment of the value added tax (VAT) in DR Congo, its implementation generates difficulties in the face of the changing context of the business world using increasingly ICT, and creates a large gap between the tax administration, the taxable persons, and its partners.

It is also within the framework of structural reforms of its economy that the IMF advised the DRC to adopt VAT to increase its internal capacity to mobilize its financial resources, to ensure its socio-economic takeoff. What do we think of the progress after the implementation of the so-called VAT?

At present, this reform has not achieved the expected results, despite more or less positive results recorded during its introduction in 2012, revenues amounting to the height of GDP, on the other hand, the evaluation of VAT in 2014 represents only 2.90% of GDP, a contrast to its fiscal potential.

Indeed, the fiscal aspect of economic policy is more important in underdeveloped or transition countries which rely more on their tax revenues to replenish the budgets of their States.

The Democratic Republic of Congo is not exempt from this internal financial reality, hence the choice of the theme of our publication: “The Congolese Tax Administration in the era of the digital economy: implementation of the cash register system tool electronic assistance for VAT management”. A first-rate financial instrument having proven itself in the countries where it was introduced, the value added tax has demonstrated its capacity to mobilize revenue from the public treasury of Nation States.

The good management and efficiency of VAT constitutes an important and crucial subject which concerns not only the budgetary and governmental authority, but also the bi or multilateral financial partners, the managers of the financial authorities.

Indeed, following the difficulties experienced by the tax system for many years in the mobilization of revenue, the tax reforms initiated since 2002 in the DRC (of the structures of the tax administration and its legislation), had for the most important, the introduction of VAT in August 2010 by Ordinance-Law No. 10/001/of August 20, 2010.

Its effective application 18 months later, i.e. January 1, 2012, did not bring the expected (expected) results, moreover its operation is experiencing multidimensional difficulties at present. Faced with several challenges to overcome, the Congolese State needs to increase its capacity to generate financial resources in order to ensure its socio-economic financial development.

Thus, speaking of the difficulties encountered in the management of VAT and its importance in the arsenal of financial instruments mobilizing public funds: "it is appropriate to point out that the contribution of this indirect tax remains preponderant, despite the The absence of an IT system allowing the reporting of information on the VAT collected to the tax administration.

What policy should be established then in achieving the objective set by this reform, given that the Congolese tax system is declarative and self-liquidating, every taxpayer presumes good faith, must liquidate his tax and pay it freely.

That being said, VAT is a deductible and accounting tax, it is the invoicing and traceability of taxable transactions remains the key to its success, to the extent that the tax declaration is the reflection of the accounting, the latter is the reflection of the activity. If this true-to-life parallelism is broken, the application of VAT in a given country is only a shadow of itself.

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### **Phenomenon observed.**

The tax administration experiences great difficulties in the management of VAT with regard to the control of tax declarations submitted by taxable persons, to the extent that it does not have an appropriate tool allowing it to verify the truth and sincerity of the declarations. declarations subscribed, in terms of VAT collected and VAT deducted, causing a huge shortfall.

In view of the above, with a view to optimizing VAT management, it is firstly imperative to provide the tax administration with an automatic system for collecting and managing data (tax information) VAT on operations carried out by taxable persons, to the extent that traditional management and control have reached their limits.

Consequently, the success of this new electronic assistance system for VAT management cannot be summed up by a simple acquisition of a latest generation IT tool, but certain prerequisites to be fulfilled, the change of a strategic vision , conceptual, organizational and operational by setting up a tax information system management.

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### **First question.**

Can the implementation or establishment of the tax cash register system in electronic or automatic invoicing of tangible or intangible commercial activities help the tax administration to optimize daily management, facilitating timely traceability real transactions taxable for VAT?

Rationale for the research.

The justification for our publication presents a trilogy of interests:

#### **a. Personal motive.**

Firstly, the personal interest that motivates us is that we are able to master not only the theories around VAT management but to understand how in practice the symbiosis between indirect taxation and ICT can lead to a positive result on a given tax management problem.

#### **b. Objective reason.**

Used wisely, this instrument of the new information and communication technology, a priori as a tool (crutch) in an organization or a tax structure can facilitate the achievement of the main objective of a tax administration consisting the optimal maximization of tax revenue will improve the efficiency of VAT management, curb fraud and subsequently strengthen the management capacity to control this tax, thus allowing traceability and transparency of taxable operations (Actual turnover and VAT collected) of taxable persons, constituting a reliable database.

#### **a. Managerial reason.**

The overall effectiveness of any organizational structure such as a financial management system depends on several parameters which are part of the logical chain of management of support for change introduced by a new IT system is not always easy, to the extent that the internal and external environment likely to acquire this mutation can become an obstacle, if it is not involved in this study. This work sufficiently shows how to support this changing dynamism.

## Objectives pursued.

### a. Main objective:

The objective pursued in this research is to improve the performance of VAT, it is to understand how VAT is managed by the current organizational structure, as a financial instrument, but also above all to know what the limits of the latter are. in its management and control capacity.

### b. Specific objective:

We want to demonstrate how the implementation of this digital tool can strengthen the traceability of taxable transactions, and improve the management and control of VAT, as a crutch for the tax administration in its capacity to capture tax information in real time, at the taxable person using the certified cash register, with a view to maximizing VAT revenue.

### c. Scientific objective:

This research opens a new scientific debate, to the extent that tax management has long been considered a strict reality of tax, accounting and legal technique, left to the care of specialists in these disciplines. Thus the computer tool was considered as a simple instrument for rapid word processing, but with the appearance of the digital economy and the persistence of the traditional economy, the volumes of transactions taxable for VAT can no longer be captured or traced manually, thus upsetting the universal tax understanding (MIDAGU 2008). This makes it difficult to manage indirect taxation incorporated into transactions.

The strategic SWOT analyzes (strengths, weaknesses, opportunities, and threats) highlight our empirical subject the DGI, in a context of use of SCE, perhaps a significant and relevant scientific contribution which will justify or not the implementation of this digital tool.

## 2. Delineation of the subject.

As in any publication, our scientific work requires spatio-temporal delimitation, ours too is limited in time and space

Time: our investigations concern the period between the years 2019 and 2022.

Space: Our research is carried out at the General Tax Directorate of the Democratic Republic of Congo, more precisely at the DGE where the SCE will be implemented on an experimental basis, but we took as samples a few companies operating in Horace, banks, telecommunications, and in retail stores (supermarkets, large hardware stores, and others), located in the city of Kinshasa.

Thus, our publication does not address electronic commerce in an intangible space or e-commerce but places tax administration as a component of the digital economy and VAT control, by acquiring a new ICT tool that can help in the capacity to capture and process tax information (cross-checking) to increase its performance.

## 3. Research methodology.

Carrying out this scientific work requires research methods and techniques. For our part, we used the documentary technique for data collection in order to obtain the necessary information relating to our theme.

In addition, given our research carried out, we noted that the management rules of the Tax Department are moderately good, which is why we proposed the automation of the collection system in order to better conduct this study. In addition to interview techniques and observation, we used the survey technique and the UP (Unified Process) method.

To produce this work and bring it to fruition, we used the following different techniques and methods.

### 1. Techniques.

A technique is defined as a set of means and processes that allow the researcher to gather data and information on this research subject.

During our research, we mainly used the documentary technique, the observation technique and the interview technique. But the interview technique was used slowly, following the Covid-19 pandemic. There were barriers and employees worked in shifts. (The minimum service). Hence the minimum service was highlighted. No matter, it was the documentary technique that was favored.

#### 1.1. Documentary technique:

According to GRAWITZ, M., the documentary technique consists of a systematic search of everything that is written having a connection with the field of research. These include works, dissertations, reports, and course notes as well as websites, etc. see the bibliography.

#### 1.2. Observation technique:

Through this technique, we observed the situation of information services benefited by members and customers of different commercial sites, under the improved information system.

**1.3 Interview technique:**

Documentation alone is not enough to provide the information sought. For this reason, we organized the interview with executives from different commercial sites to collect the information we need in this case the modalities of recovery of Value Added Tax (VAT).

**1.4 Closed questionnaire technique:**

The closed questionnaire technique was used to collect data relating to customer satisfaction, the result of the computerization of its services, this questionnaire was sent to the different entities.

**1.5 Sampling technique:**

The sampling technique allowed us to determine the sample of people to administer the questionnaire.

**THE DEVELOPMENT OF VALUE ADDED TAX (VAT) IN THE CASH REGISTER SYSTEM.**

With this in mind, we will try to do a theoretical study on VAT and on cash registers and its components by showing the benefits of the cash register.

**1. Theoretical study of VAT.**

In this section, we seek to know the evolution of VAT in other States of Europe and Africa and compare it with the case of the Democratic Republic of Congo.

**1.1.1. History of VAT.**

The option of creating a new consumption tax which was to eliminate the disadvantages of the ICA (Turnover Tax), broaden the scope of application of VAT in order to generate a lot of revenue for the public treasury.

It was in 1954 that the value added tax was invented in France by Maurice LAURE tax inspector (LAURE M, 1956, P. 29 -30). His idea convinced political leaders of its effectiveness: VAT is levied on each company as the production process progresses. Maurice LAURE's system was implemented on April 10, 1956 and first affected large companies.

To deal with this cascade deemed uneconomic, there was also the introduction of Law No. 008 of March 18, 2003 amending Ordinance Law No. 69/058 of 05/12/1969 relating to the The ICA having charged raw materials as well as intermediate goods, during their importation or acquisition on the amount of the turnover collected during the sales of processed products. This deductibility mechanism applicable to the imposition of the tax system from ordinance - law n°001/10 of August 20, 2010, the implementation of which took place in January 2012.

**1.1.2. The general principles and scope of VAT.**

Speaking of the general principles, it is a question of pinpointing the notion of the tax base of the VAT, of the territoriality, of the chargeable event and of the chargeability, of the rate in the application of the VAT, as well as the regime of right of deduction and specificity for this tax.

**1.1.3. VAT recovery.**

In the DRC, the collection of VAT is set by Ordinance-Law No. 10/001 of August 20, 2010 establishing the Value Added Tax.

It is in its article 62, the point dealing with liquidation, recovery and reimbursement, that it is said that the recovery of the value added tax is ensured by the tax administration, and on importation, it is collected by the customs administration.

**1.1.4. What is the cash register system used in the HORECA sector in Belgium?**

The "Cash Register Systems" or SCE used and which are approved by the Federal Public Service of Finance in Belgium is composed of three elements which are:

- A "Cashier System": in this system, we have the cash register or the computer containing the approved cash register software. There are currently around fifty approved SCE suppliers;
- A "Fiscal Data Module" (FDM): here we have a "black box" to which the Cash System is permanently connected. It is a small physical device that is sold separately commercially;
- A Vat Signing Card (VSC): this is a smartcard to be inserted into the control module (FDM). It is ordered online from the FPS Finances. The application and the card itself are free.

According to the agreement, everything entered into the cash register, including order changes, is automatically recorded in the control module. When the addition is established, the control module produces a unique signature printed on an SCE ticket which then replaces the manual VAT receipt.

If we can disagree, these field investigations helped us understand the importance of the introduction of VAT to the Congolese tax system by comparing it to its predecessor the ICA.

Then allowed us to have an overview in the commercial sector on the numbers of NICT specialists, on the use of networks, on the number of use of non-fiscal cash registers, on the exchange in an electronic way with the tax administration, on the acceptance rate for the deployment of a connected cash register system for VAT management in the DRC.

All these results allowed us to say that our initial hypotheses were verified and this leads us to affirm the project of implementing a connected cash register system as a palliative solution to this problem.

After confirming our hypothesis and the project as a solution to the problem, we presented a complete concept for the implementation of the new cash register system according to the realities of the DRC.

#### **1.1.5. What should I do to comply with this agreement?**

Each operator in the sector had to use their business plan to determine whether they are part of the target group. If your expected turnover for the consumption of meals on site is greater than or equal to €25,000, then you must work with an SCE. Then, every year during the month of January, we would repeat the calculation with the real figures in order to officially confirm whether we are concerned or not.

If he has to install the SCE, he must register with the Ministry of Finance, in the online SCE registration application created for this purpose and follow the activation procedure on the website <http://www.systemedecaisseregeuse.be>, Registration must be carried out no later than two months after the launch of the activity for the newcomer in the sector and SCE must be activated no later than 1 month after registration.

A theoretical study of VAT since its institution, its introduction and its application in the Congolese tax system. We were able to do a study of the cash register system already used around the world and did a study on the elements that make them up. To prove the importance of this system here in the DRC, we studied a concrete case where this system has already been implemented and we saw the impact of this system on VAT tax revenue.

From this result and observation, we can say that we can continue our study on the implementation and deployment of cash register systems in the Congolese tax system for the management and control of its VAT by presenting the methodology to use and our field study, as well as the system that already exists.

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## **CONCLUSION.**

Our publication consists of knowing whether the Congolese tax administration is ready on an organizational, technical, material, human and legal level to welcome the certified cash register system (SCE) which can help it in the collection of information tax at the level of taxable operators for storage, processing, and distribution in real time at the operational level for optimal VAT management.

Through an analysis of the development of the Value Added Tax to the Cash Register System in the Democratic Republic of Congo, we were able to identify existing studies related to our research subject, and we were able to identify the typologies and the operation of cash register systems around the world and their limitations.

Thus we were able to identify a set of variables whose effect conditions the implementation of a certified cash register system and we also had to observe the difficulties experienced by the tax administration in terms of VAT base operations. following the absence of an appropriate tool that can help in reporting tax information to verify the sincerity and accuracy of declarations submitted by taxable persons.

Finally, we also allowed ourselves to have an overview in the commercial sector on the numbers of specialists in NICT, on the use of networks, on the number of use of non-tax cash registers, on the exchange of an electronic way with the tax administration, on the acceptance rate of the deployment of a connected cash register system for the management of VAT in the DRC.

All these investigations have allowed us to say that our initial hypotheses have been verified and this leads us to affirm the project of implementing a connected cash register system as a palliative solution to this problem.

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