



Income Tax Proclamation

Done at Addis Ababa, this 4th day of July, 2002
Girma Wolde Giorgis, President of the Federal
Democratic Republic of Ethiopia

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Proclamation No. 286/2002
Income Tax Proclamation

WHEREAS, the Declaration on Economic Policy of the Government of the Federal Democratic Republic of Ethiopia inaugurates a new era in social and economic relations and institutions in this country;

WHEREAS, in consequence of these developments, the existing system of Income Tax needs to be changed and adjusted to the basic principles of fiscal treatment in a free market economy;

WHEREAS, it is believed that modernizing the tax system and broadening the tax base promotes economic growth by encouraging saving and investment;

NOW, THEREFORE, in accordance with Article 55(1) and (11) of the Constitution, it is hereby proclaimed as follows:

Chapter I
Substantive Provisions
Section 1 General

1. Short Title

This Proclamation may be cited as the "Income Tax Proclamation No.286/2002"

2. Definitions

In this Proclamation, the meanings of terms defined in other laws of Ethiopia apply unless a different meaning is expressly provided herein. For the purposes of this Proclamation the following terms shall have the meanings given to them hereunder:

- 1) "Person" shall mean any individual, body, or association of persons (including a business representative residing and doing business in Ethiopia on behalf of the principal).
- 2) "Body" shall mean any company, registered partnership, entity formed under foreign law resembling a company or registered partnership, or any public enterprise or public financial agency that carries out business activities including body of persons corporate or unincorporated whether created or recognized under a law in force in Ethiopia or elsewhere and any foreign body's business agent doing business in Ethiopia on behalf of the principal.
- 3) "Association of persons" shall mean an association of individuals or an association that includes one or more members who are not individuals, but not including any association falling within the definition of "body".
- 4) "Related person" means:
 - (i) a natural person and,
 - (a) any relative of that natural person; or
 - (b) a trust in respect of which such relative is or may be a beneficiary;or
 - (ii) a trust and a person who is or may be a beneficiary in respect of that trust; or
 - (iii) a partnership, joint venture, or unincorporated association or body or private company; and
 - (a) any member thereof; or
 - (b) any other person where that person and a member of such partnership, joint venture, or unincorporated association or body, or private company as the case may be, are related persons in terms of this definition; or
 - (iv) an incorporated company, other than a closed
 - (a) a person, other than an incorporated company, where that person or that person and a person related to the first mentioned person in terms of this definition controls 10 percent or more of;
 - (i) the right to vote in the first mentioned company; or
 - (ii) the rights to distributions capital or profits of the first-mentioned company, either directly or through one or more interposed companies, partnerships, or trusts; or
 - (b) any other incorporated company in which the first mentioned

person referred to in (a) or that person and a person related to that first mentioned person in terms of this definition controls 10 percent or more of:

- (i) the right to vote in the first mentioned company, or
 - (ii) the rights to distributions of capital or profits of the first-mentioned company, either directly or through one or more interposed companies, partnerships, or trusts; or
- (d) any person where that person and the person referred to in (a) or the other incorporated company referred to in (b) are related persons in terms of this definition; or
- (d) any person related to the person referred to in (c) in terms of this definition; or
- (5). "Relative" in relation to a natural person; means:
- (i) the spouse of the person; or
 - (ii) an ancestor, lineal descendant, brother, sister, uncle, aunt, nephew, niece, stepfather, stepmother, stepchild, or adopted child of that person or of the spouse, and in the case of an adopted child the adoptive parent; or
 - (iii) the spouse of any person referred to in paragraph (ii) and for the purposes of this definition, and adopted child is treated as related to her adoptive parent within the first degree of consanguinity.
- 6) "Business" or "Trade" shall mean any industrial, commercial professional or vocational activity or any other activity recognized as trade by the Commercial Code of Ethiopia and carried on by any person for profit.
- 7) "Taxpayer" shall mean any person subject to tax under this Proclamation.
- 8) "Withholding Agent" shall mean any person with a tax collection obligation under this proclamation.
- 9) "Permanent Establishment" shall mean a fixed place of business through which the business of a person is wholly or partly carried on. The following shall, in particular, be considered to be a permanent establishment:
- (a) an administrative, branch, factory, workshop, mine, quarry or any other place for the exploitation of natural resources, and a building site or place where construction and/ or assembly works are carried out.
 - (b) A person shall be considered not to have a permanent establishment if that person:
 - (i) uses facilities solely for the purpose of storage or display of goods or merchandise belonging to that person;
 - (ii) maintains a stock of goods or merchandise belonging to that person solely for the purpose of storage or display;
 - (iii) maintains stock of goods or merchandise belonging to that person solely for the purpose of processing by another person;
 - (iv) maintains a fixed place of business solely for the purpose of purchasing goods or merchandise or a collecting information for that person's business;
 - (v) maintains a fixed place of business solely for the purpose of carrying on, for that person's business, any other activity of a preparatory or auxiliary character.
 - (c) Notwithstanding the provisions of sub-Articles (a) and (b) above, where an agent, other than an agent of an independent status to whom letter (e) below applies, acts on behalf of a person and has, and habitually exercises, an authority to conclude contracts in the name of that person and has, and habitually exercise, an authority to conclude contracts in the name of that person, that person shall be treated as if it has a permanent establishment in respect of any activities which the agent undertakes for the person at the place at which those activities are carried on, unless the activities of such agent are limited to those mentioned in letter (b) above which if exercised through a fixed place of business, would not make that fixed place of business a permanent establishment.
 - (d) A person shall not be treated as if it has a permanent establishment where it merely carries on its business activities through a broker, general commission agent or any other agent of an independent status, provided that such agents are acting in the ordinary course of their business.

(e) The fact that a company controls or is controlled by another company shall not of itself constitute either company a permanent establishment of the other.

10) "Income" shall mean every sort of economic benefit including nonrecurring gains in cash or in kind, from whatever source derived and in whatever form paid credited or received.

11) "Taxable Income" shall mean the amount of income

12) subject to tax after deduction of all expenses and other deductible items allowed under this Proclamation and Regulations issued there under;

"Employee" shall mean any individual, other than a contractor, engaged (whether on a permanent or temporary basis) to perform services under the direction and control of the employer;

(a) "Unskilled Employee" shall mean an employee who has not received vocational training, does not use machinery or equipment requiring special skill, and ho is engaged by an employer for a period aggregating not more than 30 days during a calendar year;

(b) "Contractor" shall mean an individual who is engaged to perform services under an agreement by which the individual retains substantial authority to direct and control the manner in which the services are to be performed.

13) "Tax Authority" shall mean the Federal Inland Revenue Head Office or any of its branch offices established in any part of Ethiopia and the tax authorities of the Regional states.

14) "Minister" shall mean the Minister of Finance and Economic Development and "Ministry" shall mean the Ministry of Finance and Economic Development.

15) "Fiscal Year" shall mean the budgetary year of the Ethiopian Government.

16) "Category A taxpayer", "Category B taxpayer", and "Category C taxpayer" shall have the respective meanings given to them in a regulation to be issued hereunder.

3. Scope of Application

- 1) This Proclamation shall apply to residents of Ethiopia with respect to their worldwide income.
- 2) The Proclamation shall apply to non-residents of Ethiopia with respect to their Ethiopian source income.

4. Obligation to pay Income Tax

Every person having income as defined herein shall pay income tax in accordance with this Proclamation

5. Residence

- 1) An individual shall be resident in Ethiopia, if he:
 - (a) has a domicile within Ethiopia;
 - (b) has an habitual abode in Ethiopia; and/ or
 - (c) is a citizen of Ethiopia and a consular, diplomatic or similar official of Ethiopia posted abroad.
- 2) An individual, who stays in Ethiopia for more than 183 days in a period of twelve (12) calendar months, either continuously or intermittently, shall be resident for the entire tax period.
- 3) A body shall be resident in Ethiopia, if it:
 - (a) has its principal office in Ethiopia;
 - (b) has its place of effective management in Ethiopia; and/or
 - (c) is registered in the trade register of the Ministry of Trade and Industry or Trade bureaux of the Regional Governments as appropriate.
- 4) "Resident person" includes a permanent establishment of a non-resident person in Ethiopia.

6. Source of Income

Income taxable under this proclamation shall include, but not limited to:

- a) income from employment;
- b) income from business activities;
- c) income derived by an entertainer, musician, or sports person from his personal activities;

- d) income from entrepreneurial activities carried on by a non-resident through a permanent establishment in Ethiopia;
- e) income from movable property attributable to a permanent establishment in Ethiopia;
- f) income from immovable property and appurtenances thereto, income from livestock and inventory in agriculture and forestry, and income from usufruct and other rights deriving from immovable property is such property is situated in Ethiopia;
- g) income from the alienation of property referred to in(e);
- h) dividends distributed by a resident company;
- i) profit shares paid by a resident registered partnership;
- j) interest paid by the national, a regional or local Government or a resident of Ethiopia, or paid by a non-resident through a permanent establishment that he maintains in Ethiopia;
- k) license fees (including lease payments, and royalties paid by a resident or paid by a non-resident through a permanent establishment that he maintains in Ethiopia.

7. Foreign Tax Credit

- 1) If during the tax period a resident derives foreign source income, the Income Tax payable by that resident in respect of that income shall be reduced by the amount of foreign tax payable on such income. The amount of foreign tax payable shall be substantiated by appropriate evidence such as a tax assessment, a withholding certificate or any other similar document accepted by the Tax Authority.
- 2) However, the reduction of the Income Tax provided by Sub-Article (1) shall not exceed the tax payable in Ethiopia that would otherwise be payable on the foreign source income.
- 3) In the case of a taxpayer subject to Income Tax on Schedule C income, any reduction of tax prescribed by Sub-article (1) shall be limited to the tax that would otherwise be payable in Ethiopia computed as if Article 28 (loss carry forward) of this Proclamation applied separately to each foreign country in respect of profit and losses derived from sources therein.
- 4) The reduction of tax prescribed by this Article shall be calculated separately in respect of each foreign country from which income or profit is derived.

8. Schedules of Income

This Proclamation provides for the taxation of income in accordance with four schedules, as follows:

- 1) Schedule 'A', income from employment;
- 2) Schedule 'B', income from rental of buildings;
- 3) Schedule 'C', income from business as defined in Article 2(6), but not including activities covered by the Rural Land Use Fee and Agricultural Activities Income Tax Proclamations issued by regional states;
- 4) Schedule 'D'. other income including income from:
 - (a) royalties;
 - (b) income paid for services rendered outside of Ethiopia;
 - (c) income from games of chance;
 - (d) dividends;
 - (e) income from casual rental of property;
 - (f) interest income;
 - (g) specified non-business capital gains.

9. Foreign Exchange Transactions

All net gains and losses arising from any transactions in foreign exchanges shall be brought to account for tax purposes as additions to taxable income or deductible losses in the year in which they are realized.

Section II
Schedule 'A' Income/Employment Income

10. Taxable Income

- 1) Every person deriving income from employment is liable to pay tax on that income at the rate specified in Schedule A, set out in Article 11. The first Birr 150 (one hundred fifty Birr) of employment income is excluded from taxable income.
- 2) Employers have an obligation to withhold the tax from each payment to an employee, and to pay to the Tax Authority the amount withheld during each calendar month. In applying the preceding, income attributable to the months of Nehassie and Pagumen shall be aggregated and treated as the income of one month.

11. Tax Rate

Schedule A

Employment income		Income Tax (per month) payable
Over Birr	to Birr	
0	150	Exempt threshold
151	650	10
651	1400	15
1401	2350	20
2351	3550	25
3551	5000	30
Over 5000		35

12. Determination of Employment Income

- 1) Employment income shall include any payments or gains in cash or in kind received from employment by an individual, including income from former employment or otherwise or from prospective employment.
- 2) The type of taxable fringe benefits and the manner of their assessment shall be determined by Regulations to be issued by the Council of Ministers.
- 3) Income received in the form of wages does not include representation and other similar expenditures (on social functions, guest accommodations, etc.)

13. Exemptions

The following categories of income shall be exempt from payment of income tax hereunder:

- (a) income from employment received by casual employees who are not regularly employed provided that they do not work for more than one(1) month for the same employer in any twelve(12) months period;
- (b) pension contribution, provident fund and all forms of retirement benefits contributed by employers in an amount that does not exceed 15 %(fifteen percent) of the monthly salary of the employee;
- (c) subject to reciprocity, income from employment, received for services rendered in the exercise of their duties by:
 - (i) diplomatic and consular representatives, and
 - (ii) other persons employed in any Embassy, Legation, Consulate or Mission of a foreign state performing state affairs, who are national of that state and bearers of diplomatic passports or who are in accordance with international usage or custom normally and usually exempted from the payment of income tax.
- (d) income specifically exempted from income tax by:
 - i. any law in Ethiopia, unless specifically amended or deleted by this Proclamation;
 - ii. international treaty; or
 - iii. an agreement made or approved by the Minister.

- (e) the Council of Ministers may by regulations exempt any income recognized as such by this Proclamation for economic, administrative or social reasons.
- (f) payments made to a person as compensation or a gratitude in relation to :
 - (i) personal injuries suffered by that person;
 - (ii) the death of another person.

Section III

Schedule 'B' Income/Income From Rental of Buildings

14. Taxable Income

Income tax shall be imposed on the income from rental of buildings.

15. Tax Rate

The tax payable on rented houses shall be charged, levied and collected at the following rates:

- (a) on income of bodies thirty percent (30%) of taxable income,
- (b) on income of persons according to the Schedule B (hereunder)

Schedule 'B'

Taxable Income from Rental (per year)		Income Tax Payable
Over Birr	to Birr	
0	1800	exempt threshold
1,801	7,801	10
7,801	16,800	15
16,801	28,000	20
28,201	42,600	25
42,601	60,000	30
Over 60,000		35

16. Determination of Income

- 1) Income from rental of building shall be computed as follows:
 - (a) if the tax payer leased furnished quarters the amounts received attributable to the lease of furniture and equipment shall be included in income.
 - (b) sub-lessors shall pay the tax on the difference between income from sub-leasing and the rent paid to the lessor, provided that the amount received from the sub-lessor is greater than the amount payable to the lessor.
 - (c) the following amounts shall be deducted from income in computing taxable income:
 - (i) taxes paid with respect to the land and buildings being leased; except income taxes; and
 - (ii) for taxpayers not maintaining books of account, one fifth (1/5) of the gross income received as rent for buildings furniture and equipment as an allowance for repairs, maintenance and depreciation of such buildings, furniture and equipment;
 - (iii) for taxpayers maintaining books of account, the expenses incurred in earning, securing, and maintaining rental income, to the extent that the expenses can be proven by the taxpayer and subject to the limitations specified by this Proclamation, deductible expenses include (but are not limited to) the cost of lease (rent) of land ,repairs , maintenance, and depreciation of buildings, furniture and equipment in accordance with Article 23 of this Proclamation as well as interest on bank loans, insurance premiums.
- 2) The owner of a building who allows a lessee to sub-lease is liable for the payment of the tax for which the sub-lessor is liable, in the event the sub-lessor fails to pay.
- 3) At the earlier of the time construction of a rental building is completed or when the building is rented, the owner and the builder are required to notify the administration of the kebele in which the building is situated about such completion and the name, address, and tax identification number of the person (or persons) subject to tax on income from rental of the

building. The Keble administration has the obligation to communicate this information or information obtained by the administrations own initiative to the appropriate tax authority.

Section IV **Schedule 'C' Income/Business Income Tax**

17. Scope of Schedule 'C' Income

Income Tax shall be imposed on the taxable business income realized from entrepreneurial activity.

18. Taxable Business Income

Taxable business income shall be determined per tax period on the basis of the profit and loss account or income statement, which shall be drawn in compliance with the Generally Accepted Accounting Standards, subject to the provisions of this Proclamation and the directives issued by the Tax Authority.

19. Tax Rate

- 1) Taxable business income of bodies is taxable at the rate of 30 %.
- 2) Taxable business income of other taxpayers shall be taxed in accordance with the following Schedule C.

Schedule 'C'		Income Tax Payable
Taxable Business Income (per year)		
Over Birr	to Birr	
0	1,800	exempt threshold
1,801	7,800	10
7,801	16,800	15
16,801	28,000	20
28,201	42,600	25
42,601	60,000	30
Over 60,000		35

20. Deductible Expenses

In the determination of business income subject to tax in Ethiopia, deductions shall be allowed for expenses incurred for the purpose of earning, securing, and maintaining that business income to the extent that the expenses can be proven by the taxpayer and subject to the limitations specified by this Proclamation.

21. Non-Deductible Expenses

- 1) The following expenses shall not be deductible:
 - (a) the cost of the acquisition, improvement, renewal and reconstruction of business assets that are depreciated pursuant to Article 23 of this Proclamation;
 - (b) an increase of the share of capital of a company or the basic capital of a registered partnership;
 - (c) voluntary pension or provident fund contributions over and above 15% of the monthly salary of the employee.
 - (d) declared dividends and paid-out profit shares;
 - (e) interest in excess of the rate used between the National Bank of Ethiopia and the commercial banks increased by two (2) percentage points.
 - (f) damages covered by insurance policy;
 - (g) punitive damages and penalties;
 - (h) the creation or increase of reserves, provisions and other special-purpose funds unless otherwise allowed by this Proclamation;
 - (i) Income Tax paid on Schedule C income and recoverable Value-Added Tax;
 - (j) representation expenses over and above 10% of the salary of the employee;
 - (k) personal consumption expenses;

- (l) expenditures exceeding the limits set forth by this Proclamation or Regulations issued hereunder.
 - (m) entertainment expenses;
 - (n) donation or gift.
2. Notwithstanding the provisions of Sub-Article (1) (n) of this article, the Council of Ministers may by Regulations allow donations or gifts provided for public use to be deducted.
 3. Interest paid to shareholders on loans and advances shall not be deductible to the extent that the loan or advances in respect of which the interest paid exceeds on average during the tax period four times the amount of the share capital. This sub-Article does not apply to banks and insurance companies.
 4. In the case of bodies other than companies, Sub-article (3) above shall apply as if for the reference to share capital there were substituted a reference to basic capital.

22. Trading Stock

- 1) For the purposes of ascertaining the income of a person for a tax period from a business, there shall be deducted the cost of trading stock of the business disposed of by the person during that period.
- 2) The cost of trading stock disposed of during a tax period is determined on the basis of the average cost method, i.e. the generally accepted accounting principle under which trading stock valuation is based on an average cost of units on hand.
- 3) The term "trading stock" means any business asset that is either used in the production process and becomes part of the product, or that is hold for sale.

23. Depreciation

- 1) In the determination of taxable business income, the owner of the business assets may deduct depreciation for business assets.
- 2) Fine art, antiques, jewelry, trading stock and other business assets not subject to wear and tear and obsolescence shall not be depreciated.
- 3) The acquisition or construction cost, and the cost of improvement, renewal and reconstruction, of buildings and constructions shall be depreciated individually on a straight-line basis at five per cent (5%).
- 4) The acquisition or construction cost, and the cost of improvement, renewal and reconstruction, of intangible assets shall be depreciated individually on a straight-line basis at ten percent (10%)
- 5) The following tow categories of business assets shall be depreciated according to a pooling system at the following rates:
 - (a) Computers, information systems, software products and data storage equipment: twenty five (25%).
 - (b) All other business assets: twenty percent (20%).
- 6) In each category as referred to in Sub-Article (5), the rate of depreciation specified in that Sub-Article shall be applied to the depreciation base of the category.
- 7) The depreciation base shall be the book value of the category as recorded in the opening balance sheet of the tax period:
 - (a) increased by the cost of assets acquired or created and the cost of improvement, renewal and reconstruction of assets in the category during the tax period.
 - (b) decreased by the sales price of assets disposed of and the compensation received for the loss of assets due to natural calamities or other involuntary conversion during the tax period.
- 8) If the depreciation base is a negative amount, that amount shall be added to taxable profit and the depreciation base shall become zero.
- 9) If the depreciation base does not exceed Birr 1,000 the entire depreciation base shall be a deductible business expense.
- 10) If a revaluation of business assets takes place, no depreciation shall be allowed for the amount of the revaluation.
- 11) In determination of taxable business income a deduction is permitted in respect of each category of business assets for the maintenance and improvement expenses of business

assets belonging to that category for the actual amount of the expenses, but not in excess of twenty percent (20%) of the depreciation base of the category at the end of the year. Any actual expenses exceeding this twenty percent (20 %) shall increase the depreciation base of that category.

24. Transfer of Business Assets

- 1) When assets used in a business are sold, exchanged, or otherwise transferred, gain or loss is recognized on the transfer.
- 2) Transfers of business assets among companies which are parties to a reorganization are not treated as a disposal of the property.
- 3) The value of business assets held by a company or companies which are parties to a reorganization is the same as the value of such assets immediately before the reorganization. Similarly, the balance value of any depreciation categories shall be carried over.
- 4) "reorganization" means:
 - (a) a merger of two or more resident companies;
 - (b) the acquisition or takeover of fifty percent (50%) or more of the voting shares and fifty percent (50%) or more of all other shares by value of a resident company solely in exchange for shares of a party to the reorganization;
 - (c) the acquisition of fifty percent (50%) or more of the assets of a resident company by another resident company solely in exchange for voting participations with no preferential rights as to dividends of a party to the reorganization;
 - (d) a division of a resident company into or more resident companies; or
 - (e) a spin-offThe Tax Authority shall ensure that the merger, acquisition, takeover, division, or spin-off is not having tax avoidance as a principal objective.
- 5) The rules of Sub-Article (1) – (4) shall not apply to the transfer of assets described under Article 23(5).
- 6) Loss shall not be recognized on the transfer of a business asset to related person within the meaning of Article 2(24)

25. Bad Debts

In the determination of taxable business income, a deduction shall be allowed for a bad debt if the following conditions are met:

- (a) an amount corresponding to this debt was previously included in the income;
- (b) the debt is written off in the books of the taxpayer; and
- (c) any legal action to collect the debt is not recoverable.

26. Special Reserves for Finance Institutions

In the determination of taxable business income of finance institutions a deduction shall be allowed for special (technical) reserves in accordance with the directives issued by the National Bank of Ethiopia; the business income, however, shall be increased by amounts drawn from such reserves.

27. Participation Deduction

- 1) If a resident company or partnership reinvests the profit it earned to raise the capital of another company or partnership subject to the conditions in Sub-Article (2) and (3); such amount shall be deductible from its taxable income.
- 2) The deduction mentioned in letter (a) of Sub-Article (1) shall apply to shares of resident companies that are subject to taxation under Schedule C and in which the investing body has a shareholding of at least twenty-five percent (25%), by value or by number, in the share capital or the voting rights.
- 3) The deduction mentioned in letter (b) of Sub-Article (1) shall apply to basic capital of resident registered partnerships that are subject to taxation under Schedule C and in which the investing body holds at least twenty-five percent (25%) by value of basic capital.
- 4) The Council of Ministers shall by regulations determine the manner in which the incentive granted in this Article shall be applied.

28. Loss Carry forward

- 1) if the determination of taxable business income results in a loss in a tax period, that loss may be set off against taxable income in the next five (5) tax periods, earlier losses being set off before later losses.
- 2) If during a tax period the direct or indirect ownership of the share capital or the voting rights of a body changes more than twenty-five percent (25%), by value or by number, Sub-Article (1) shall cease to apply to losses incurred by that body in that tax period and previous tax periods.
- 3) A net operating loss may be carried forward and deducted only for two periods of three years.

29. Transfer Pricing

- 1) Where conditions are made or imposed between persons carrying on business in their commercial or financial relations which differ from those which would be made between independent persons, the Tax Authority may direct that the income of one or more of those related persons is to include profits which he or they would have made but for those conditions. The Tax Authority shall do so in accordance with the directives to be issued by the Minister.
- 2) In order to ensure the just and efficient application of this Article the Tax Authority may make agreements in advance with persons carrying on entrepreneurial activities, subject to conditions if necessary, the specified conditions between related persons do not differ from those which would be made between independent persons.

30. Exemptions

- 1) The following categories of income shall be exempt from payment of business income tax hereunder:
 - (a) awards for adopted or suggested innovations and cost saving measures, and
 - (b) Public awards for outstanding performance tax any field.
 - (c) Income specifically exempted from income tax by the law in force in Ethiopia, by international treaty or by an agreement made or approved by the Minister.
- 2) The revenue obtained by:
 - (a) the Federal, Regional and Local Governments of Ethiopia;
 - (b) the National Bank of Ethiopiafrom activities that are incidental to their operations shall be exempt from tax on Schedule C income.

Section V

Scheduled Income/Other Income

31. Royalties

- 1) Royalties shall be liable to tax at a flat rate of five percent (5 %).
- 2) The withholding Agent who effects payment shall withhold the foregoing tax and account to the Tax Authority within the time limit set out in this Proclamation.
- 3) Where the payer resides abroad and the recipient is a resident, the recipient shall pay tax on the royalty income within the time limit set out in this Proclamation
- 4) This tax is a final tax in lieu of a net income tax.
- 5) The term "royalty" means a payment of any kind received as a consideration for the use of ,or the right to use, any copyright of literary, artistic or scientific work, including cinematography films and films or tapes for radio or television broadcasting, any patent, trade work, design or model, plan secret formula or process, or for the use or for the right to use of any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

32. Income from Rendering of Technical Services

- 1) All payments made in consideration of any kind of technical services rendered outside Ethiopia to resident persons in any form shall be liable to tax at a flat rate of ten percent (10%) which shall be withheld and paid to the Tax Authority by the payer.
- 2) The term "technical service" means any kind of expert advise or technological service rendered.

33. Income from Games of Chance

- 1) Every person deriving income from winning at games of chance (for example, lotteries, tom bolas, and other similar activities) shall be subject to tax at the rate of fifteen percent (15%), except for winnings of less than 100 Birr.
- 2) The payer shall withhold or collect the tax and account to the Tax Authority in the manner provided in Article 67.
- 3) This tax is a final tax in lieu of income tax.

34. Dividends

- 1) Every person deriving income from dividends from a share company or withdrawals of profits from a private limited company shall be subject to tax at the rate of ten percent (10%).
- 2) The withholding Agent shall withhold or collect the tax and account to the Tax Authority.
- 3) This tax is a final tax in lieu of income tax.

35. Income From Rental of Property

Every person deriving income from the casual rental of property (including any land, building, or moveable asset) not related to a business activity taxable under Article 17 shall pay tax on the annual gross income at the rate of fifteen percent (15%). This tax is a final tax in lieu of a net income tax.

36. Interest Income on Deposits

- 1) Every person deriving income from interest on deposits shall pay tax at the rate of five percent (5%).
- 2) The payer shall withhold the tax and account to the Tax Authority in the manner provided in Article 67.
- 3) This tax is a final tax in lieu of income tax.

37. Gain on Transfer of Certain Investment Property

- 1) Income Tax shall be payable on gains obtained from the transfer (sale or gift) of property described in this Article at the following rates:
 - (a) building held for business, factory, office 15% (fifteen percent)
 - (b) shares of companies 30% (thirty percent)
- 2) Gains obtained from the transfer of building held for residence shall be exempt.
- 3) The basis for computation of gains obtained from the transfer of properties described in this Article shall be determined by Regulations to be issued by the Council of Ministers.
- 4) Any exchange of shares in a resident company which is a party to a reorganization – as defined in Article 24(4) – in exchange for share in another resident company which is also a party is not a disposal of the shares.
- 5) The value of the shares given in exchange under Sub-Article (4) shall be equal to the value of the original shares.
- 6) Loss on the transfer of such property shall be recognized and be available to offset gain subject to the following limitations:
 - (a) Loss on transfers under this Article may be used to offset gain on transfers under this Article, but may not be used to offset any other income or gain. Unused losses may be carried forward indefinitely.
 - (b) No loss shall be recognized on transfer to associates within the meaning of Article 2(4).
- 7) Any person authorized by law to accept, register or in any way approve the transfer of capital assets shall not accept, register or approve the transfer before ascertaining that the payment of the tax has been duly effected in accordance with this Article.

Chapter II Procedural Provisions Section I General Provisions

38. Powers And Duties of Tax Authority

- 1) The implementation and enforcement of this Proclamation and of Regulations issued hereunder shall be the duty of the Tax Authority.
- 2) Notwithstanding anything to the contrary in any other law, the Tax Authority shall be empowered to investigate any statements, records and books of account submitted by any taxpayer at any time by:

- (a) sending duly accredited inspectors to the place of business or practice of the tax payer to check same or any vouchers, stocks of other material items of the taxpayer;
- (b) requiring the taxpayer or any employee thereof who has access to or custody of any information, records or books of account to produce the same and to attend during normal office hours at any reasonably convenient tax office and answer any questions relating thereof;
- (c) requiring any person including municipality, Body, Financial Institution Department or Agency of Federal or Regional Government to disclose particulars of any information or transactions, including any lending or borrowing which it may have relating to the taxpayer.

39. Confidentiality of Tax Information

- 1) The Tax Authority and all persons who are or have been its agents or employees shall maintain the secrecy of all information except such information as are required by the Commercial Code of Ethiopia to be published by trade gazette, on particular taxpayers received by them in an official capacity, and may disclose such information only to the following persons:
 - (a) employees of the Tax Authority, for the purpose of carrying out their official duties;
 - (b) law enforcement agencies, for the purpose of the prosecution of a person for tax violations;
 - (c) courts, in proceedings to establish a person's liability for tax, penalties, or interest, or in any criminal case;
 - (d) tax authorities of a foreign country, in accordance with an international treaty to which Ethiopia is a party.
- 2) Persons who receive information under Sub-Article
 - (1) must maintain the secrecy of that information, except to the minimum extent necessary to achieve the object for which disclosure is permitted. Other persons who receive information the disclosure of which is regulated by this section may not further disclose the information and must return documents reflecting the information to the Tax Authority.
- 3) Information concerning a taxpayer may be disclosed to another person with the taxpayer's written consent.

40. Code of Conduct for Tax Authority Employees

- 1) Each employee of the Tax Authority shall:
 - (a) be honest and fair, treating each taxpayer with courtesy and respect;
 - (b) apply the law, regulations and rulings to each case on the basis the objective facts in that case, showing no partiality to members of his family or to friends;
 - (c) refrain from participating in any determination that will affect his or his spouse's tax liability;
 - (d) where either a known family relationship or a business interest might influence any determination he must , as an employee, make public (in the manner provided by regulations) such relationship or interest;
 - (e) Subject to Article 39 protect the confidentiality of any tax or duty information, and
 - (f) Not solicit or accept any bribe or perform any other improper act relating to the duty to determine or collect any tax.
- 2) No employee of the Tax Authority shall act as a tax accountant or consultant or accept employment from any person preparing tax declarations or giving tax advice.

41. Co-operation of other Entities

- 1) All Federal and Regional government authorities and their agencies, Bodies, Kebele Administrations and Associations shall have the duty to co-operate with the Tax Authority in the enforcement of this Proclamation.
- 2)
 - (a) No Ministry, Municipality. Department or Office of Federal or Regional Government shall issue or renew any license to any taxpayer unless the applicant produces a certificate from the Tax authority to the effect that tax due in respect of

the preceding year or years, have been paid or where the taxpayer is seeking license for the first time that he has registered with the Tax Authority unless appeal is pending, or time for payment is extended by the Tax Authority.

- (b) If the tax Authority refuses to issue a certificate it shall, on demand by the applicant for the license, provide him or it with a written statement of its reasons therefore.
- (c) Any applicant who is aggrieved by the reasons stated by the Tax Authority for refusing to issue a certificate or by the revocation of his or its license may appeal in writing to the Review Committee.

42. Powers of the Minister

In addition to any powers specifically vested in him in this Proclamation the Minister of Finance and Economic Development may:

- (a) enter into agreement with other Government for the avoidance of double taxation on activities or transactions liable to tax in the territories of both parties;
- (b) in his discretion, waive tax up to an amount of birr 100,000 in cases of grave hardship due to natural or supervening calamity or disaster, or in cases of exceptional personal hardship not attributable to negligence or any failure on the part of the taxpayer to discharge any duty under this Proclamation; and
- (c) no amount of tax in excess of Birr 100,000 shall be waived except with the approval of the Council of Ministers.
- (d) Issue Directives for the better implementation of this Proclamation and Regulations issued there under.

43. TIN Requirement

- (a) Every person having a tax obligation is required to obtain a tax payer identification number ("TIN"), but in no case may a person obtain more than one TIN.
- (b) No taxpayer is to be charged a fee for obtaining a TIN.
- (c) The registration process shall proceed according to the timetable to be prescribed by directives to be issues by the Tax authority.

44. Supplying TIN to the Tax Withholding Agent

A person subject to tax withholding is required to supply the TIN to the withholding agent. When paying over the withheld tax, the withholding agent shall list the taxpayer's TIN number along with the amount of tax withheld with respect to that taxpayer.

45. Business Licenses

- 1) A person obtaining a license to carry on a business occupation is required to supply the TIN to the licensing authority. All public bodies and institutions issuing a business or occupational license shall not issue or renew such license unless the taxpayer has supplied the TIN.
- 2) Notwithstanding Sub-Article (1) the licensing authority may not require the taxpayer to supply a TIN if according to the registration schedule distributed as per Article 43 shows that the date for his registration is not yet due.

46. Directives

The Minster of Revenue is hereby empowered to issue directives to provide procedures for TIN registration of taxpayers. In accordance with those directives, the Tax Authority shall prepare a schedule of registration for a TIN, which shall inter alia contain specific dates for registration of a given class of taxpayers, and shall distribute copies of the timetable to all licensing authorities.

47. Change of Address and Cessation of Business

- 1) Any taxpayer who makes a change of address shall notify the Tax Authority of the change within thirty (30) days.
- 2) Any taxpayer who ceases a trade or business activity shall notify the Tax Authority within thirty (30) days that the activity has ceased. In the case of a cessation of activity, any

declaration of income required by this Proclamation to be filed at the end of a tax year, shall be filed no later than sixty (60) days after the activity has ceased. Any tax due for the period in which the cessation occurred shall be paid on or before the declaration due date determined under this provision.

3) Where:

- (a) any income is derived by a person in a tax year from any business, activity, investment or other source that has ceased either before the commencement of the year or during the year, and
- (b) if the income had been derived before the business, activity, investment or other source ceased it would have been chargeable to tax under this Proclamation, this Proclamation shall apply to the income on the basis that the business, activity, investment or other source had not ceased at the time the income was derived.

48. Record Keeping Requirement

- 1) All persons who are engaged in a business or trade as defined in Article 2(5), or who own buildings held all or in part for rental, except for Category C taxpayers shall keep books and records.
- 2) A person who is required to keep books and records in accordance with Sub-Article (1) shall keep the following information:
 - (a) a record of the business assets and liabilities, including a register of fixed assets showing the date of acquisition the cost of acquisition, and the current book value of each asset;
 - (b) a record of all daily income and expenses related to the business activity and the matter to which they relate;
 - (c) a record of all purchases and sales of goods and services related to the business activity showing:
 - (i) the particular goods and services sold;
 - (ii) the name of the buyers and sellers or providers in such a manner that they can be identified by the Tax Authorities;
 - (iii) and using pre-numbered invoices containing the vendor's tax identification number;
 - (d) a record of trading stock on hand at the end of the accounting period, including the type quantity and cost of that stock as well as the method of valuation of that stock;
 - (e) any other document relevant for the determination of the tax liability.
- 3) If a taxpayer has certain books or records in a foreign language, the Tax Authorities may require that they be translated into one of the official languages of Ethiopia at the taxpayer's expense.
- 4) The books and records mentioned in Sub-Article (2) shall be kept by the taxpayer for a period of ten (10) years after the end of the tax period to which they relate.

49. Submission of Memorandum of Association

Companies, partnership and other business organizations shall submit to the Tax Authority a copy of their memorandum of association and statutes and shall notify the Tax Authority of any subsequent change therein.

50. Public Auditors

- 1) Any auditor, when requested by the Tax Authority in writing shall submit the audit report of his clients.
- 2) Where any auditor fails to submit the report within the time specified in the letter referred above, the Tax Authority shall notify the Licensing Authority to withdraw the license of the auditor.

Section II Withholding Procedures

51. Withholding of Tax on Employment Income

- 1) An employer shall withhold tax from every payment to an employee, unless the payment is expressly made tax-exempt by this Proclamation.
- 2) The obligation of an employer to withhold tax has priority over all other obligations to withhold any other amounts from payments to an employee.

- 3) An employer shall pay the withheld tax to the Tax Authority within thirty (30) days of the end of each calendar month, and each payment shall be accompanied by a statement with respect to each employee who derives taxable income for the month.
- 4) The statement referred to in Sub- Article (3) shall be in the form and furnished in the manner prescribed by the Tax Authority, and shall contain the following information:
 - (a) the name, address, and TIN of each employee;
 - (b) the amount of taxable income derived by each employee from the employment;
 - (c) the amount of the tax withheld from that income, and
 - (d) the amount of any tax-exempt income derived by the employee.

52. Collection of Tax On Imports

- 1) A current payment of income tax shall be collected on Schedule C income at the time of import of goods for commercial use, and the collected amount treated as tax withheld that is creditable against the tax payer's income tax liability for the year.
- 2) The amount collected on import of goods shall be three percent (3%) of the sum of cost, insurance, and freight ("CIF value").
- 3) If the amount of income tax collected on the import of goods results in underpayment of business income tax due for the year, as determined at the time of declaration of income tax, the taxpayer is required to pay the difference with the declaration. If the amount represents an overpayment of income tax due for the year, the Tax Authority shall after ensuring the accuracy of the books and records refund the taxpayer the amount overpaid within 3 months period.
- 4) The tax collected under this Article shall be recorded and accounted – for using the taxpayer's name, address, and TIN; provided, however that if a taxpayer is not required to obtain a TIN the records shall be kept using only the taxpayer's name and address until such time as the taxpayer supplies a TIN to the collecting agency.
- 5) For purposes of implementing the provisions of this Article the Minister shall by directive define the term "for commercial use."

53. Withholding of Income Tax on Payments

- 1) Organization having legal personality, government agencies, private nonprofit institutions, and non-governmental organizations ("NGOs") shall withhold income tax on payments which by Regulations to be issued by the Council of Ministers are subject to withholding Tax.
- 2) The amount withheld shall be two per cent (2%) of the gross amount of the payment.
- 3) Within ten days from the last day of each month, the withholding agent shall transfer to the government the amount required to be withheld on payments made during the month. The withholding agent's aggregate monthly transfer shall be accompanied by a statement listing separately each specified person to whom payments were made; the person's TIN; the monthly total of payments made to that person; and the amount of income tax withheld results in government with respect to that person.
- 4) If the amount of income tax withheld on payment to specified person results in underpayment of income tax actually due for the year, as determined at the time of declaration of income tax, the taxpayer is required to pay the difference with the declaration. If the amount of income tax withheld results in overpayment of income tax actually due for the year, the Tax Authority shall refund the taxpayer within the time and in the manner prescribed under Article 76.
- 5) If a withholding agent fails to withhold or under withholds he shall be made to pay the full amount of the tax to the Tax Authority.

54. Withholding of Schedule "D" Income Tax on Payments

- 1) The payer of any payment subject to tax under Schedule "D" shall withhold from the payment the amount of tax required by Schedule "D".
- 2) The obligation of the payer to withhold tax has priority over all other obligations to withhold amounts from payments to a payee (the taxpayer).
- 3) A payer shall pay the withheld tax to the Tax Authority within fifteen (15) days of the end of each calendar month, and each payment shall be accompanied by a statement with respect to each taxpayer who received payments during the month.
- 4) The statement referred to in Sub-Article (3) shall be in the form and furnished in the manner prescribed by the Tax Authority, and shall contain the following information:
 - (a) the name, address, and TIN of each taxpayer;

- (b) the amount of payments subject to tax under Schedule D;
 - (c) the amount of the tax withheld from the payments.
- 5) At the time of making a payment to a taxpayer, the payer shall furnish each taxpayer a tax withholding certificate (in the form prescribed by the Tax Authority) showing the date of the payment and stating the information listed in Sub-Article (4); the taxpayer's right to contest the amount of tax withheld; and the manner of doing so.
 - 6) The tax-withholding certificate is proof of the amount of tax withheld on payments subject to tax under Schedule D.

55. Issuance of Identification Card

The Tax Authority shall issue identification cards to Withholding Agents.

56. Record of Payments and Tax Withheld

- 1) A withholding agent shall maintain, and make available for inspection by the Tax Authority, records showing, in relation to each fiscal year:
 - (a) Payments made to a payee, and
 - (b) Tax withheld from those payments.
- 2) The withholding agent shall keep the records referred to in Sub-Article (1) for five (5) fiscal year after the end of the fiscal year to which the records relate.
- 3) The Tax Authority may require a withholding agent to furnish a copy of the records to be maintained under Sub-Article (1) in the manner, form and at the intervals prescribed by the Tax Authority.

57. Adjustment To Tax Due For year And Withholding Agent's Indemnity

- 1) Except for tax withheld with respect to final taxes, withheld tax (or tax paid currently under Article 53 or Article 54 or collected on import under Article 52 is included in ascertaining a taxpayer's tax due for the tax year.
- 2) A withholding agent who has withheld under this Proclamation and remitted the amount withheld to the Tax Authority is treated as having paid the withheld amount to the payee for the purposes of a claim by the taxpayer for payment of the amount withheld.

**Section III
Tax Accounting Principles**

58. Method of Accounting

- 1) Subject to this Proclamation, for the purposes of ascertaining a person's income accruing or derived during a tax period, the timing inclusions and deductions shall be made according to generally accepted accounting principles.
- 2) Without prejudice to Sub-Articles (1) and (3), and unless the Tax Office prescribes otherwise in particular case, a taxpayer shall account for tax purposes on a cash or accrual basis.
- 3) A company shall account for tax purposes on an accrual basis.
- 4) A person may apply, in writing, for a change in that person's method of accounting and the Tax office may, by notice in writing, approve the application but only if satisfied that the change is necessary to clearly reflect that person's income.
- 5) If the person's method of accounting is changed, adjustments to items of income, deduction, or credit shall be made in the tax period following the change, so that an item is not omitted or taken in account more than once.

59. Cash-Basis Accounting

- 1) A person who is accounting for tax purposes on a cash basis shall account for amounts to be included in calculating that person's income when they are received by, or made available to that person.
- 2) An outgoing or expense is incurred by a person who is accounting, for tax purposes, on a cash basis when it is paid by that person.

60. Accrual-Basis Accounting

- 1) A person who is accounting for tax purposes on an accrual basis shall account for amounts to be included in ascertaining that person's income when they are receivable by that person.
- 2) An outgoing or expense is incurred by a person who is accounting for tax purposes on an accrual basis when it is payable by the person.
- 3) Subject to this Proclamation, an amount is receivable by a person when that person becomes entitled to receive it, even if the time for discharge of the entitlement is postponed or the entitlement is payable by installments.
- 4) Subject to this Proclamation, an amount is treated as payable by a person when all the events that determine liability have occurred and the amount of the liability can be determined with reasonable accuracy, but not before economic performance with respect to that amount occurs.
- 5) For the purposes of Sub-Article (4), economic performance occurs:
 - (a) with respect to the acquisition of services or property, at the time the services or properties are provided;
 - (b) with respect to the use of property, at the time the property is used; or
 - (c) in any other case, at the time that person makes payment in full satisfaction of the liability.

61. Prepayments

Without prejudice to Article 21 of this Proclamation, a deduction for an outgoing or expense incurred on a service or other benefit which extends beyond twelve months including cost of lease of land, shall be allowed proportionately over the tax periods to which the service or other benefit relates.

62. Claim of Right

- 1) A taxpayer who is accounting for tax purposes on a cash basis shall treat an amount as received and an outgoing or expense as paid, even though that person is not legally entitled to receive the amount or liable to make the payment, if that person claims to be legally entitled to receive, or legally obliged to pay the amount.
- 2) Where Sub-Article (1) applies and that person later refunds the amount received or recovers the outgoing or expense paid, an appropriate adjustment shall be made to that person's income of the tax period during which the refund or recovery occurs.
- 3) A person who is accounting for tax purposes on an accrual basis shall treat an amount as receivable and an outgoing or expense as payable even though that person is not legally entitled to receive that amount or liable to make the payment, if that person claims to be legally entitled to receive, or to be legally obliged to pay the amount.
- 4) Where Sub-Article (3) applies and that person later ceases to claim the right to receive the amount or to claim an obligation to pay the outgoing or expense, an appropriate adjustment shall be made to that person's income of the tax period during which that person ceases to make the claim.

63. Long Term Contracts

- 1) In the case of a person accounting for tax purposes on an accrual basis, the timing of inclusions in and deductions from income relating to a long-term contract of a business of that person shall be accounted for on the basis of the percentage of the contract completed during any tax period.
- 2) The percentage of completion is determined by comparing the total costs allocated to the contract and incurred before the end of the tax period with the estimated total contract costs including any variations or fluctuation.
- 3) Where during the tax period in which a long-term contract of a business is completed the person carrying on the business:
 - (a) incurs a loss; or
 - (b) has an unrelieved loss available for carrying forward under Article 28(1); which is attributable to the long-term contract, the Tax Authority may allow the loss to be:
 - (c) carried back to preceding tax periods, and
 - (d) applied against an amount by which inclusions in the income of the business relating to the long-term contract for that period exceed deductions there from.

- 4) A loss incurred by a person in carrying on a business during a tax period is attributable to a long-term contract of the business to the extent that deductions allowed in ascertaining the income from the business relating to the long-term contract for that period exceed inclusions in ascertaining that income.
- 5) In this Article, "Long-term contract" of a business of a person means a contract for manufacture, installation, or construction, or in relation to each, the performance of related services, which is not completed within the tax period in which work under the contract commenced, other than a contract estimated to be completed within twelve (12) months of the date on which the work under the contract commenced.

Section IV Declaration and Assessment

64. Tax Year

- 1) Unless otherwise provided, the period for tax assessment ("tax year") shall be the fiscal year, that is, the one-year period from 1st Hamle to 30th Sene.
- 2) The tax year of a person is:
 - (a) in the case of an individual or an association of individuals, the fiscal year;
 - (b) in the case of a body, the accounting year of the body.
- 3) A body shall not change its accounting year unless it obtains prior approval, in writing, from the Tax Authority and complies with any condition that may be attached to the approval.
- 4) The Tax Authority may, by notice in writing, revoke an approval granted to a company under Sub-Article (3) if the body fails to comply with any of the conditions attached to the approval.
- 5) Where the tax year of a person changes as a result of Sub-Article (3) or (4), the period between the last full tax year prior to the change and the date on which the new tax year commences shall be treated as a separate tax year, to be known as the "transitional Year."

65. Certificate and Assessment of Schedule A Income

- 1) The tax-withholding certificate issued by an employer to an employee shall be proof that tax in the amount stated was withheld on the employee's Schedule "A" income of the amount stated.
- 2) The amount of tax withheld on an employee's Schedule A income, paid to the Tax Authority and accompanied by the employer's statement (as required by Article 51) shall be the amount assessed by the Tax Authority effective on the date the tax is paid, and subject to later amendment if the Tax Authority determines that an error or omission has been made.
- 3) In the case of an employee whose taxable income for a tax year consists exclusively of Schedule "A" income, no declaration of income is required.
- 4) Notwithstanding the preceding, an employee working for more than one employer or an employee of international organization having diplomatic immunity or working in embassies, missions and other consular establishments of a foreign government shall himself declare and pay taxes on his schedule "A" income with the time prescribed under Article 51(3).
- 5) If an employer finds out that his employee has more than one employment income and if he ascertains that the other employer(s) have not aggregated said income, he shall aggregate and withhold the tax thereon.

66. Declaration and Assessment of Schedule B and C Income

- 1) Every taxpayer who has Schedule B or Schedule C income shall prepare a declaration of his income in a form prescribed by the Tax Authority. Taxpayers shall submit the tax declaration to the Tax Authority at the time of submitting the balance sheet, and the profit and loss account for that tax year within the time prescribed below:
 - (a) Category A taxpayers within 4 months from the end of the taxpayers tax year.
 - (b) Category B taxpayers within 2 months from the taxpayers tax year.
- 2) The type of records to be submitted to the Tax Authority in accordance with Sub-Article (1) above shall be determined by Regulations to be issued by the Council of Ministers.
- 3) The tax calculated in accordance with the tax declaration reduced by the tax with held in accordance with Articles 52 and 53 of this Proclamation and the amounts provided by Article 7 (foreign tax credit) of this Proclamation during the tax year, shall be transferred by the taxpayer to the Tax Authority simultaneously with the tax declaration.

- 4) Any excess payments over the tax calculated according to Sub-Article (3) of this Article shall be refunded by the Tax Authority to the taxpayer within ninety (90) days of becoming satisfied on the tax declaration.
- 5) The amount of tax due for the year, as stated in the declaration, shall be the amount assessed by the Tax Authority although the Tax Authority may determine that an error or omission has been made and therefore may issue an amended assessment.

67. Declaration and Assessment of Schedule D Income

- 1) Every taxpayer who has Schedule D income, not subject to withholding at source constituting a final tax, shall prepare a declaration of that income in a form prescribed by the Tax Authority. Taxpayers shall submit this declaration to the Tax Authority within two (2) months from the end of the Ethiopian Fiscal Year.
- 2) The tax calculated in accordance with the declaration, after the amounts provided by Article 7 (foreign tax credit) paid during the year with respect to the Schedule D income subject to declaration having been reduced, shall be transferred by the taxpayer to the Tax Authority simultaneously with the declaration.
 - a. The amount of tax due for the year, as stated in the declaration, shall be the amount assessed by the tax Authority unless the Tax Authority determines that an error or omission has been made.

68. Standard Assessment for Category C Taxpayers

- 1) A standard assessment method shall be used to determine the income tax liability of Category C taxpayers.
- 2) The standard assessment shall be a fixed amount of tax determined in accordance with a Council of Ministers Regulations establishing a schedule of standard assessment amounts that reflect variations in the type of business, business size, and business location. The taxpayer shall pay the tax determined in accordance with standard assessment on the 7th day of July to the 6th day of August every year, unless, the taxpayer requested and is allowed to make installment payments in accordance with Council of Ministers Regulations.
- 3) The period during which the standard assessment amount will be used and the basis for the revised amount shall be determined by a directive to be issued by the Minister. The Minister shall distribute the revised standard assessment to the tax Authorities.

69. Assessment by Estimation

- 1) If no records and books of accounts are maintained by the taxpayer, or if, for any reason, the records and books of accounts are unacceptable to the Tax Authority, or if the taxpayer fails to declare his or its income within the time prescribed by this Proclamation, the Tax Authority may assess the tax by estimation.
- 2) The manner of assessing tax by estimation shall determined by directives to be issued by the Minister of Revenue.

70. Aggregation

A taxpayer who derives income from different sources subject to the same schedule shall be assessed on the aggregate of such income.

71. Limitations

- 1) if a taxpayer has submitted a declaration of income within the time limit and manner as prescribed in this Proclamation, the Tax Authority has five (5) years to amend the assessment. The five-year assessment period runs from the due date of the declaration.
- 2) If a taxpayer has submitted a declaration in the manner required by this Proclamation, but after the due date for making a declaration, the Tax Authority has five (5) years to amend the assessment. The five years assessment period runs from the date the declaration was received by the Tax Authority.
- 3) In case where the taxpayer has not declared his income or has submitted a fraudulent declaration, not time limit provided in any other law shall bar the assessment of the tax by the Tax authority.

Section V
Assessment Notification

72. Contents of Assessment Notification

Every assessment notification shall contain the following elements:

- 1) gross income and deductions applicable under this Proclamation;
- 2) taxable income;
- 3) rates applicable or percentage;
- 4) taxes paid and due;
- 5) any penalty or interest;
- 6) the taxpayer's name, address, and TIN; and
- 7) a brief explanation of the assessment and a statement of the taxpayer's rights.

73. Service of Tax Notices

- 1) Income tax assessment notices or other notices issued by the Tax Authority to any taxpayer shall be communicated in writing as follows:
 - (a) In the case of a resident individual, by registered letter or by delivery to the taxpayer in person, or if he is absent, to any adult member of his family or any person employed by him at his residence, or place of business or professional practice, provided that, if, no person can be found to accept such service, then, the same may be effected by affixing the notice to the door or other available part of the said residence or place of business.
 - (b) In the case of a resident body, by registered letter to the registered address of the body or by delivery to any director or employee of the body at any of its places of business.
 - (c) In the case of non-resident persons, to their agent or agents in Ethiopia, or by affixing to the door or other available part of the residence or place of business of such agent if he could not be served in person; provided that, if in any case none of these measures are effective, service may be discharged by the publication in any newspaper in which Court notice may be advertised. The cost of such publication shall be charged to the taxpayer.
- (2) Any assessment of income tax duly served on the taxpayer shall become final when:
 - (a) the taxpayer fails to pay the tax due or to lodge his or its appeal with the tax Appeal Commission within thirty (30) days from the date of receipt of an assessment notice or from the date of receipt of an assessment notice or from the date of decision of the review committee,
 - (b) the time for appealing the decision of the Tax appeal Commission has expired; or
 - (c) the Court of Appeal renders its final decision.
- (3) A taxpayer who does not pay the final assessment as provided under Sub-article (2) of this Article is in default.

SECTION VI
Payment

74. Tax payable when Due

Any tax (including withheld or collected tax) that is to be paid to the Tax Authority by a stated date shall be payable on that date. Failure to make a timely payment shall result in the imposition of interest and the late payment penalty.

75. Interest

- 1) If any amount of tax is not paid by the due date, the taxpayer is obliged to pay interest on such amount for the period from the date the tax is due to the date it is paid.
- 2) The interest rate under Sub- article (1) of this article is set at 25% (twenty five Percent) over and above the highest commercial lending interest rate that prevailed during the preceding quarter.
- 3) Interest shall be collected in the same manner as the tax to which it relates.

76. Credit and refund

- 1) Where the Tax Authority is satisfied that tax has been paid by a person, whether by withholding, installments, or otherwise, in excess of the person's tax liability to which the payment or payments relate, the Tax Authority shall:
 - (a) credit the overpaid tax against any liability of that person in respect of:
 - (i) other taxes under this Proclamation;
 - (ii) withholding of tax under this proclamation;
 - (iii) any other amount due to the tax Authority under this Proclamation; or any other tax law; and
 - (b) refund the remainder to that person within 90 days of becoming satisfied.
- 2) The Tax payer shall be entitled to an interest set at the highest commercial lending interest rate increased by 25% (twenty five percent) that prevailed during the preceding quarter if he/it has not received the refund within the time prescribed under Sub-article(1) (b) of this Article.
- 3) Without limiting the generality of Sub-Article (1) of this Article, a person may apply for a refund under this Article. A refund application shall be made to the Tax Authority in writing within three (3) years of the later of :
 - (a) the date on which the Tax Authority has served the notice of assessment to which the refund application relates, or
 - (b) the date on which the tax or interest was paid.
- 4) The Tax Authority shall, within forty-five (45) days of making a decision on a refund application under Sub-Article 2, serve on the person applying for the refund a notice in writing of the decision.
- 5) A person dissatisfied with a decision referred to in Sub-Article 4 may challenge the decision only through, the appeal procedure as though the decision were that of an assessment.

SECTION VI Collection

77. Seizure of Property to Collect Tax

- 1) subject to Sub-Article (4) of this Article if any person liable to pay any tax imposed by this proclamation is in default under Article 73(3), it shall be lawful for the Tax Authority to collect such tax 'and such further amount as shall be sufficient to cover the expenses of the seizure' by seizing any property belonging to such person. Seizure may be made on the accrued salary or wages of any employee, including a government employee, by serving a notice of seizure on the officer who has the duty of paying the salary or wages.
- 2) For purposes of this Section; the term "Seizure" includes seizure by any means, as well as, collection from a person who owes money or property to the taxpayer. Except as provided in sub-Articles (3) and (6), a seizure shall extend only to property possessed and obligations existing at the time the seizure is made. The Tax authority may request a police officer to be present during seizure. Where the Authority seizes any property as provided hereinabove, it shall have the right to sell the seized goods at public auction or in any other manner approved by the authority within not less than 10 days after the seizure, except that when the goods seized are perishable the authority can sell the goods after any reasonable period having regard to the nature of the goods.
- 3) Whenever any property on which seizure had been made is not sufficient to satisfy the claim for which seizure is made, the Tax authority may, thereafter and as may be necessary, proceed to seize other property, liable to seizure, of the person against whom the claim exists until the amount due, together with all expenses, is fully paid.
- 4) Seizure may be made under Sub-Article (1) of this Article on employee's remuneration or other property of any person with respect or any unpaid tax only after the Tax Authority has notified such person in writing of its intention to make such seizure. The notice shall be delivered not less than thirty (30) days before the day of the seizure.
- 5) If the Tax Authority makes a finding that the collection of the tax is in jeopardy, a demand for immediate payment of such tax may be made by the Tax Authority and, on failure or refusal to pay the tax, collection thereof by seizure shall be lawful without

regard to the 30-days period provided in Sub-Article (1) and the days provided in sub-Article (4).

- 6) The effect of a seizure on employee remuneration payable to a taxpayer shall be continuous from the date such seizure is first made until the liability out of which such seizure arose is satisfied or becomes unenforceable by reason of lapse of time.
- 7) The following shall be exempt from seizure:
 - (a) such amount of employee remuneration or other periodic income payable to an individual as does not exceed the exempt amount according to Schedule A; and
 - (b) all other income and property that are not liable to attachment or lien under Ethiopian law.

78. Enforcement of Seizure

1. Any person in possession of (or obligated with respect to) property subject to seizure on which a seizure has been made shall, unless such property is, at the time of such demand, subject to an attachment or execution under any judicial process or is encumbered by law with the preferred right of other creditors as stipulated under Article 30, on the demand of the Tax authority surrender such property (or discharge such obligation)
2. Any person who fails or refuses to surrender any property subject to seizure, on demand of the Tax Authority, shall be personally liable to the government in a sum equal to the value of the property not so surrendered, but not exceeding the amount of taxes for the collection of which seizure has been made (together with costs and interest on such sum).
3. In addition to the personal liability imposed by Sub-article (2), if the failure or refusal to surrender is without reasonable cause, such person shall be liable for an additional charge equal to fifty percent (50%) of the amount recoverable under Sub-Article (2).
4. Any person in possession of property who surrenders or makes payment in accordance with this Article shall be discharged from any obligation or liability to the delinquent taxpayer or to any other person arising from such surrender or payment.

79. Production of Books

If a seizure has been made or is about to be made on any property, any person having custody or control of any books or records containing evidence or statements relating to the property subject to seizure shall, on demand of the Tax Authority, exhibit such books or records to the Tax Authority.

80. Preferential claim to Assets

1. From the date on which tax becomes due and payable under this Proclamation, subject to the prior secured claims of creditors, the Authority has a preferential claim over all other claims upon the assets of the person liable to pay the tax until the tax is paid.
2. Where a person is in default of paying tax, the Authority may, by notice in writing, inform that person of the Authority's intention to apply to the Registering Authority to register a security interest in any asset situated in Ethiopia which is owned by that person, to cover any unpaid tax in default, together with any expense incurred in recovery proceedings.
3. If the person on whom a notice has been served under Sub-article (2) fails to pay the amount specified in the notice within 30 days after the date of service of the notice, the Authority may, by notice in writing, direct the Registering Authority that the asset, to the extent of the defaulter's interest therein, shall be the subject of security for the total amount of unpaid tax.
4. Where the Authority has served a notice on the Registering Authority under Sub-Article (3), the Registering Authority shall, without fee, register the notice of security as if the notice were an instrument of mortgage over or charge on such asset, as the case may be, and such registration shall, subject to any prior mortgage or charge, operate while it subsists in all respects as a legal mortgage over or charge on the land or building to secure the amount due.

81. Jeopardy Assessment

In exceptional cases where the Tax Authority has reasonable grounds to believe that the collection of tax is in jeopardy, and where a state of urgency exists, the Tax Authority may issue an administrative order to the Bank with a statement of justification supplementing its order to block the accounts of the taxpayer and secure information thereon, and may make an immediate assessment of tax for the current period; provided, however; that the Tax Authority shall obtain

court authorization within ten (10) days from the date of issuance of its administrative order and further that such powers may only be used to elucidate information relevant to the assessment.

82. Priority of claim on Tax Withheld

- 1) Tax withheld by a withholding agent under this Proclamation:
 - (a) is held by the withholding agent in trust for the Tax Authority;
 - (b) is not subject to attachment in respect of a debt or liability of the withholding agent; and
 - (c) in the event of liquidation or bankruptcy of the withholding agent, does not form part of the estate in liquidation, assignment, or bankruptcy and the Tax Authority has a first claim before any distribution of property is made.
- 2) An amount that a withholding agent is required under this Proclamation to withhold from a payment is:
 - (a) a first charge on that payment; and
 - (b) withheld prior to any other deduction which the withholding agent may be required to make by virtue of an order of any court or any other law.

83. Taxpayer Safeguards

Any property seized under this Section shall be seized, held, and accounted for only by the Tax Authority. No other agency of the government may require the property seized under this section to be transferred or given over to it for any cause whatsoever. If any property seized under this Section is sold, any portion of the proceeds in excess of the taxpayer's liabilities under this section shall be returned promptly to the owner of the property.

Section VIII

84. Rewards for Verifiable Information

- 1) Where a person provides a verifiable and objective information of tax evasion through concealment, under reporting, fraud or any other improper means, the informer shall be granted up to twenty percent (20) of the amount of tax evaded at the time of collection of the said tax.
- 2) The informer shall not be entitled to such a reward where:
 - (a) he/she has participated in the tax evasion; or
 - (b) where such reporting is part of his/her employment duty.
- 3) Details shall be provided by the directives of the Tax Authority

85. Reward for Outstanding Performance

- 1) The Tax Authority shall reward tax payers and tax officers for outstanding performance and discharge of duties.
- 2) Details shall be provided by the directives of the Minister of Revenue.

86. Penalty for Late Filing or Non-Filing

A taxpayer who fails to file a timely tax declaration is liable for a penalty equal to:

- (a) 1,000 Birr for the first thirty (30) days (or part thereof) the declaration remains unfilled);
- (b) 2,000 Birr for the next thirty (30) days (or part thereof) the declaration remains unfilled);
- (c) 1,500 Birr for each thirty (30) days (or part thereof) thereafter that the declaration remains unfilled.

87. Penalty for Understatement of Tax

- 1) If the amount of tax shown on a declaration understates the amount of tax required to be shown, the taxpayer is liable for a penalty in the amount of 10% (ten per cent) of the understatement or 50% (fifty per cent) if the understatement is considered substantial in accordance with Sub-Article (2) of this Article).
- 2) The understatement is considered substantial if it exceeds the smaller of the following two amounts:
 - (a) twenty-five percent (25%) of the tax required to be shown on the return; or
 - (b) 20,000 Birr.

- 3) The penalty shall continue to apply until, the Appeal Commission or a Court, as the case may be, shall have rendered its final decision.

88. Penalty for Late Payment

A taxpayer who fails to pay tax liability on the due date is subject to:

- (a) a penalty of 5%(five percent) of the amount of unpaid tax on the first day after the due date has passed: and
- (b) an additional 2% (two percent) of the amount of the tax that remains unpaid on the first day of each month thereafter.

89. Penalty for Failure to keep Proper Records

- 1) The taxpayer shall be liable for a penalty of 20% of the tax assessed if he failed to keep proper books of account, records, and other documents regarding a certain tax year.
- 2) If the Tax Authority finds that a taxpayer has failed for two consecutive tax year, to keep proper books of account, records, and other documents:
 - (a) the licensing authority shall forthwith suspend the taxpayer's license on notification by the Tax Authority;
 - (b) if in a subsequent year, the Tax Authority again finds that the taxpayer has failed to keep proper books, records and documents, the licensing authority shall revoke the taxpayer's license on notification by the Tax Authority;
 - (c) A finding by the Tax Authority that the taxpayer's failure justifies notification of the licensing authority for purposes of suspension or revocation of the taxpayer's license shall for all purposes of this Proclamation be treated as an assessment and notification may not be sent to the licensing authority until the Tax Authority's finding is final.

90. Penalty for Failure to Withhold Tax

- 1) A withholding agent who fails to withhold tax in accordance with this Proclamation is personally liable to pay to the Tax Authority the amount of tax which has not been withheld, but the withholding agent is entitled to recover this amount from the payee.
- 2) The tax withholding liability imposed by this Proclamation shall be treated as a tax liability for purposes of any Article providing taxpayers with the right to contest the amount of tax due or to recover tax paid.
- 3) In addition to any amount for which a withholding agent is liable under Sub-Article (1), an agent who fails to withhold tax in accordance with this Proclamation shall be liable for a penalty of 1,000 Birr for each instance of failure to withhold the proper amount.
- 4) A penalty of Birr 1,000 is imposed on the following individuals:
 - (a) a manager who knew or should have known of the failure described in Sub-Article (1);
 - (b) a chief accountant or another senior officer who is responsible for supervision or control of withholding procedures and who knew or should have known of the failure described in Sub-Article (1), or whose improper supervision failed to prevent it.

91. Penalty for Failure to Meet TIN Requirements

Taxpayers failing to meet the requirements for TIN are subject to the following penalties:

- 1) a withholding agent who makes a payment to a person who has not supplied a TIN is required to withhold thirty percent (30%) of the amount of the payment.
- 2) A taxpayer who has not supplied the TIN to the withholding agent, in addition to what is stipulated under Sub-Article (1) of this Article is liable to pay a fine of 5,000 Birr or the amount of the payment, whichever is less.

92. Collection of And Appeal Against Penalties

Administrative penalties shall be paid on notice and demand by the Tax Authority and shall be assessed and collected in the same manner as taxes. Any references, in this Proclamation, to "tax imposed" shall be deemed to include administrative penalties imposed.

93. Exoneration of Taxpayer from Liability

In the event that errors that led to incorrect determination and execution of tax obligations are corrected independently before commencement of a tax examination, the taxpayer shall be released from liability, with the exception of paying the tax and interest.

Section IX Criminal Offences

94. Procedure in Tax Offence Cases

A tax offence is a violation of the criminal law of Ethiopia and shall be charged, prosecuted, and appealed in accordance with the Ethiopian criminal procedure law.

95. TIN Violations

If a person subject to tax is convicted of obtaining more than one TIN, that person shall be liable to pay a fine of not less than 20,000 Birr and not more than 50,000 Birr and to imprisonment of five (5) years per additional TIN obtained.

96. Tax Evasion

A taxpayer who evades the declaration or payment of tax commits an offence and, in addition to the penalty for the understatement of income referred to in Article 86, may be prosecuted and, on conviction, be subject to imprisonment for a term of not less than five (5) years.

97. Making False or Misleading Statements

- 1) A tax payer who:
 - (a) makes a statement, to an officer of the Tax Authority, that is false or misleading in a material particular; or
 - (b) omits from a statement made to an officer of the Tax Authority any matter or thing without which the statement is misleading in a material particular; commits an offence and is liable on conviction.

- 2) Where the statement or omission is made without reasonable excuse,
 - (a) and if the inaccuracy of the statement undetected may result in the underpayment of tax by an amount not exceeding 1,000 Birr, the tax payer shall be liable to a fine of not less than 10,000 Birr and not more than 20,000 Birr, and imprisonment for a term of not less than one (1) year and not more than three (3) years, and
 - (b) If the underpayment of tax is in an amount exceeding Birr 1,000, he shall be liable to a fine of not less than twenty thousand Birr and not more than 100,000 Birr and imprisonment for a term of not less than three(3) years and not more than five (5) years.
- 3) Where the statement or omission is made knowingly or recklessly,
 - (a) and if the inaccuracy of the statement undetected may result in an underpayment of tax by an amount not exceeding 1,000 Birr, to a fine of not less than 50,000 Birr and not more than 100,000 Birr, or imprisonment for a term of not less than five (5) years and not more than ten (10) years; and
 - (b) If the underpayment of tax is in an amount exceeding Birr 1,000, to a fine of not less than 75,000 Birr and not more than 200,000 Birr, or imprisonment for a term of not less than ten (10) years and not more than fifteen (15) years.

98. Obstruction of Tax Administration

- 1) A person who,
 - (a) obstructs or attempts to obstruct an officer of the Tax Authority in the performance of duties under this Proclamation, or
 - (b) otherwise impedes or attempts to impede the administration of the Proclamation, commits an offence and is liable on conviction to a fine of not less than 10,000 Birr and not more than 100,000 Birr, and imprisonment for a term of two (2) years.
- 3) The following and similar other actions are considered to constitute obstruction:
 - (a) refusal to satisfy a request of the Tax Authority for inspection of documents, reports, or other information related to a taxpayer's income-producing activities;
 - (b) non-compliance with a Tax Authority request to report for an interview;
 - (c) interference with a tax officer's right to enter the taxpayer's business premises.

99. Offences by Tax Authority Employee

Any person employed for carrying out the provisions of this Proclamation who:

- (a) directly or indirectly, asks for or receives in connection with any of the officer's duties, a payment or reward, whether pecuniary or otherwise, or promise or security for that payment or reward, not being a payment or reward to which the officer is lawfully entitled to receive, or

- (b) enters into or acquiesces in an agreement to do or to abstain from doing permit ,conceal, or connive at any act or thing whereby the tax revenue is or may be defrauded, or which is contrary to the provisions of this Proclamation or to the proper execution of the officer's duty;
- (c) exceeds the authority conferred upon the Tax Authority or misuses such authority; commits an offence and is liable, on conviction, to a fine of not more than 50,000 Birr and to imprisonment for a term of not less than ten (10) years and not more than twenty (20) years.

100. Unauthorized Tax Collection

Any person who is not authorized to collect tax under this Proclamation collects or attempts to collect tax (or an amount the person describes as tax) commits an offence and is liable, on conviction, to a fine of not less than 50,000 Birr and to imprisonment for a term of not less than five (5) years and not more than ten (10) years.

101. Aiding or Abetting

A person who aids, abets, incites, or conspires with another person to commit a violation against this Proclamation also commits an offence under this proclamation and shall be subject to prosecution, and shall on conviction be liable to a fine and imprisonment not in excess of the amount of fine or period of imprisonment provided for the offence aided or a betted.

Offences by Entities

- 1) Subject to the provisions of Sub-Article (3) of this Article, where an entity commits an offence, the manager of that entity at the time of the Commission of the offence is treated as having committed the same offence and is liable to a fine and imprisonment under this Proclamation.
- 2) Subject to the provisions of Sub-Article (3) of this Article, where an entity commits an offence by failing to pay an amount of tax, including an amount treated by this Proclamation as though it were tax, every person who is the manager of that entity at that time, or was a manager within six (6) months prior to the date of commission shall jointly and severally, be liable with that entity and that other person to the Tax Authority for the amount.
- 3) Sub-Articles (1) and (2) do not apply where:
 - (a) the offence is committed without such person's knowledge or consent; and
 - (b) such person has exercised the degree of care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances to prevent the commission of the offence.
- 4) Any person who refuses to supply goods or render services to a withholding agent, by reason of him withholding an amount of tax from the payment to that person, shall personally be liable to a fine of not less than Birr 5,000 and not exceeding Birr 10,000 and to imprisonment for a term of not less than one year and not more than two years.
- 5) In Sub-Articles (1) and (2), "manager" means,
 - (a) in the case of a partnership, a partner or manager of the partnership or a person purporting to act in either of those capacities;
 - (b) in the case of a body, a director, manager, or officer of the company or a person purporting to act in any of those capacities; and
 - (c) in the case of an association of persons, a manager or a person purporting to act in that capacity.

102. Publication of Names

- 1) The Authority shall from time to time publish by notice in daily Gazettes a list of persons who have been convicted of offences under Articles 93 to 101.
- 2) Every list published in terms of Sub-Article (1) shall specify:
 - (a) the name and address, of the enterprise or of the person;
 - (b) such particulars of the offence as the Authority may think fit;
 - (c) the tax period or tax periods in which the offence occurred;
 - (d) the amount or estimated amount of the tax evaded; and
 - (e) the amount, if any, of the additional tax imposed.

Section X Appeal Procedure

104. Review Committee

Members of the Review Committee shall be appointed by the Minister of Revenue or the competent authority of the regional government, as appropriate, upon the recommendation of the head of the Tax authority.

105. Powers And Duties of Review Committee

- 1) The Review Committee shall be accountable to the head of the Tax Authority and shall have the following duties:
 - (a) to examine and decide on all applications submitted by tax payers for compromise of penalty, interest, and waiver of tax liability;
 - (b) to gather any written evidence or information relevant to the matter submitted;
 - (c) to summon any person ,who directly or indirectly has dealt with the assessment, to appear before it for questioning him about the case under its investigation; and
 - (d) to review determination made by the Tax Authority for accuracy, completeness, and compliance with this Proclamation.
- 2) The Committee shall only review applications submitted to it within 10 days of receipt of tax assessment notification
- 3) The Head of the Tax Authority may approve the recommendations or remand the case, with his observations, to the committee for further review.

106. Waiver of Penalty

The Review Committee may waive administrative penalties in accordance with the directives issued by the Minister of Revenue.

107. Right of Appeal against Assessment of Income

- 1) Any taxpayer who objects to an assessment may appeal to the Tax Appeal Commission (hereinafter referred to as the "Appeal Commission") upon the fulfillment of the requirements hereunder.
- 2) No appeal shall be accepted by the Appeal Commission, unless:
 - (a) a deposit of thirty-five percent (35%) of the disputed amount is made to the Tax Authority; and
 - (b) the appeal is lodged with the Appeal Commission within thirty (30) days following the day of receipt of the Assessment Notice or from the date of decision of the Review Committee.

108. Date of Lodging Appeal

The date on which an appeal is submitted shall be the date of:

- (a) its registration by the archives of the Appeal Commission if it is delivered other than by registered mail; or
- (b) registration by the post office if sent by registered mail.

109. Contents of Memorandum of Appeal

- 1) The memorandum of appeal shall be submitted in duplicate and shall include:
 - (a) a statement of the specific subject matter of the appeal and the reason for the appeal;
 - (b) the taxpayer's name, address and TIN, and
 - (c) as attachments, any relevant supporting documents and a photocopy of the receipt for the appeal deposit.
- 2) Where any one of the first three conditions under Sub-Article (1) is missing, the Appeal Committee shall require the appellant to correct the deficiency within five (5) days, failing of which the appeal shall be rejected.

110. Service of Documents

- 1) Prior to the first hearing of any appeal:
 - (a) a copy of the memorandum of appeal shall be served on the Tax Authority by the Appeal Commission; and
 - (b) the Tax Authority shall submit its reply to the Appeal Commission while at the same time giving a copy thereof to the appellant.
- 2) The appellant shall have the burden of proof with a view of establishing his or its claim.

Decision of Appeal Commission

- 1) After reviewing the case, the Appeal Commission shall issue a written decision setting out the TIN of the appellant and the date of decision, the names of the panel members and the panel's chair person, and a statement of the decision.
- 2) The statement of the Commissions decision shall include:
 - (a) the holding (whether the appellant's claim is justified and accepted partly or wholly, whether the claim is remanded with instructions to the tax Authority; and the amount the appellant is required to pay, if any, and other necessary details of appellant's liabilities);
 - (b) the factual findings, citation to the applicable law, legal interpretation, a conclusion on each relevant issue presented; and any dissenting opinion.
 - (c) a summary of the appellant's appeal rights.
- 3) The decision shall be signed by the panel members present, and the Seal of the Appeal Commission shall be affixed thereon.
- 4) The Appeal Commission may decide ex-part where:
 - (a) any appellant fails to give counter reply when necessary, or to appear before it on two occasions, after lodging appeal; or
 - (b) the Tax Authority, after receiving the memorandum of appeal, fails to give reply or to appear before it on two occasions.

111. Appeal from Decision of Appeal Commission

- 1) Any party dissatisfied with the decision of the Appeal Commission may appeal to the competent court of appeal on the ground that it is erroneous on any matter of law within 30 days from the date of receipt of the written decision of the Appeal Commission.
- 2) The court of appeal shall hear and determine any question of law arising, on appeal and shall, after reaching its decision thereon, return the case to the Commission.
- 3) An appeal to the next court of appeal from the decision of the lower court of appeal may be made by either party, within thirty (30) days of the decision of the lower court of appeal.
- 4) A taxpayer's appeal shall not be accepted by the court unless at the time the appeal is lodged, the taxpayer has paid the tax liability determined by the Appeal Commission.

112. Establishment of Appeal Commission

- 1) The following Tax Appeal Commissions shall be established:
 - (a) Federal Appeal Commission, at the Federal level;
 - (b) Regional Appeal Commission, in each Regional Government town;
 - (c) Zonal Appeal Commission, in each Zonal town; and
 - (d) Woreda Appeal Commission, in each Woreda Administrative town.
- 2) Notwithstanding the provisions of Sub-Article (1), if the Regional Government finds it unnecessary to have a separate Appeal Commission at any of the above mentioned levels, it shall make an arrangement in such a way that such areas may be covered by the Appeal Commission established in the neighboring locality.
- 3) The Federal Appeal Commission shall be accountable to the Minister of Justice; City administration, appeal commissions to the executive organs of city administration, region, zone woreda, as the case may be.

113. Appointment of Members

- 1) Members of Appeal Commission at every level shall be appointed from among persons having good reputation, acceptability, integrity, general and professional knowledge, and from among persons who have not committed any offense in connection with tax and tax administration.
- 2) The Minister of Justice or executive organs of city administrations and regions, as the case may be, shall issue directives setting out the criteria to be applied in the selection, appointment and composition of members of Appeal Commissions.
- 3) On the basis of said directive members of the appeal commissions and panels shall be selected and appointed by the Minister of Justice or the appropriate city administration, regional, zonal or woreda executive organ, as the case may be.
- 4) The Appeal Commission's President shall be appointed by appropriate entities listed under Article 113(3) above.
- 5) Each Appeal Commission may have more than one (1) panel. In such cases each panel shall have five (5) members and shall elect one (1) member to serve as Chair person.

- 6) The person term of office of an Appeal Commission member shall be two (2) years. A member appointed to chair an Appeal Commission or a panel shall serve in that capacity for two (2) years or the remaining period of that other member's term if he is a substitute.
- 7) The Chairperson and other members of the Commission shall be entitled to receive such attendance fees for sitting on panels as shall be fixed from time to time by the Minister or the Executive body of the Region, as appropriate.

114. Powers and Duties of Appeal Commission and of its Chairperson

- 1) The Appeal Commission shall have the authority:
 - (a) to confirm, reduce, or annul any assessment appealed against on the basis of established factual grounds and the law, and make such further consequential order thereon as may seem just and necessary for the final disposition of the matter;
 - (b) to instruct the Tax Authority or the taxpayer to submit new facts, if any; and
 - (c) to order the Tax Authority or the taxpayer or any other person or governmental department or agency, as the case may be, to produce supporting evidence relevant to the taxpayer's allegation.
- 2) An Appeal Commission's Chairperson shall:
 - (a) make preliminary examination of memoranda of appeal;
 - (b) prepare the agenda for the panel;
 - (c) preside over and guide the proceedings;
 - (d) ensure that the arguments are properly recorded in the minutes and that the decision conforms to the prescribed form; and
 - (e) submit an annual report about the accomplishment (performance) of the commission he presides over.

115. Burden of Proof

The burden of proving that an assessment is excessive or that a decision of the Authority is wrong lies on the person objecting to the assessment or decision.

116. Power to Issue Regulations and Directives

- 1) The Council of Ministers shall issue regulations for the proper implementation of this Proclamation.
- 2) The Minister of Finance and Economic Development shall issue directives for the carrying out of any power delegated to him under this Proclamation.

Section XI Transitional Provisions

117. Transitional Provisions

- 1) All repealed laws hereunder, shall continue to apply to all liabilities that are already due and payable upon the coming into force of this Proclamation or are accrued in respect of income from trade, business profession, vocations or any other activity taxable there under.
- 2) All existing Tax Appeal Commissions shall continue to function until such time as new Tax Appeal Commission has been established in accordance with the provisions of this Proclamation.

118. Repealed and Inapplicable Laws

- 1) The Income Tax Proclamation No. 173 of 1961 and all amendments thereto are hereby repealed.
- 2) Payment of Tax on Gains from Capital Proclamation No. 108/1994 is hereby repealed.
- 3) Federal Tax Appeal Tribunal Establishment Proclamation No.233/2001.
- 4) All laws which are inconsistent with this Proclamation shall not apply shall not apply on matters covered under this Proclamation.

119. Effective Date

This Proclamation shall come into force as of the 4th day of July 2002, and shall apply to all income paid, received or earned from Hamle 1/1994 E.C. onward.

Done at Addis Ababa, this 4th day of July, 2002
Girma Wolde Giorgis, President of the Federal
Democratic Republic of Ethiopia