



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Tax Administration Theme Day

Third Event

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BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Taxation In Ethiopia

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CONTENTS

01 / Tax polices

02 / Tax Administration System

03 / Tax services

04 / Tax Incentives



Part 01

Tax Polices

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Tax Policies



01

Up surging Tax Voluntary Compliances

- Self assessment and taxpayers' decision to comply with tax laws and regulations by paying tax timely and accurately

02

Decreasing the compliance cost of the tax payers

- costs that are associated with complying with the requirements of a tax system, any costs inherent in the tax. They do not include the administrative costs of taxation, which are borne by the tax authorities.

03

Boosting saving and investments

- A tax cut/zero rate in consumer goods will lead to a household to consume more and save more.



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Continued



04

Make conducive environment for free market economy.

- The major role of taxation in a free enterprise economy is **to get money to finance government spending**-to get enough money.

05

Enshrining good governance in Tax administration.

- From the good governance perspective, the key concerns or issues in tax assessment are **transparency of the process, the participation of taxpayers and ensuring accountability.**

06

Reduce development gaps among regional States through taxation

- raise resources for Regional governments to deliver essential public services



Continued



07

Single standard VAT rate Flat
corporate tax rate , Deduction of
revenue generating expenses

VAT 15% , CIT 30% and 35%



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Strategies

Tax Audit Policy

Risk Management Strategy

Information Technology Strategy

Communication Strategy



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Manuals



Risk Based file selection for audit

Tax Audit

Taxpayer registration

Tax Assessment and collection

Tax Audit Quality Assurance

Tax payer Education

Risk based VAT refund

Outstanding performer taxpayers selection/recognition

Tax debt collection



Part 02

Tax laws



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Taxation power of the federal and regional governments

Federal Government	Regional Government	Concurrent powers
Custom duties, taxes and other charges on imports and exports	Income taxes on employees of the state and of private enterprises	Profit, sales, excise and personal income taxes on enterprises they jointly establish
Income tax on employees of the federal government and international organisation	Fees for land use rights	Taxes on the profits and sales of companies and on dividends due to shareholders
Income, profit, sales and excise taxes on enterprises owned by the federal government	Incomes of private farmers and farmers incorporated in cooperative associations	Taxes on incomes derived from large-scale mining and all petroleum and gas operations, and royalties on such operation
Taxes on incomes and winnings from national lottery and games of chance	Profit and sales taxes on individual traders carrying out a business within their territory	



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Taxation power of the federal and regional governments

Taxes on income of air, rail and sea transport services	income from transport services rendered on waters within their territory	
Taxes on income of houses and properties owned by the federal government	Taxes on income derived from private houses and other properties within the state; and rent on houses and properties they own	
Fees and charges related to licences issued and services rendered by organs of the federal government	Profit, sales, excise and personal income taxes on income of enterprises owned by the regional states	
Taxes on monopolies	Taxes on income derived from mining operation , and royalties and land rentals on such operations	
Federal stamp duties	Fees and charges relating to licences issued and services rendered by state organs, Royalty for use of forest resources	



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Tax law	Tax administration	Responsibility & Duty to Co-operate b/n Federal and State Authorities
<ul style="list-style-type: none">1- The tax administration proclamation;2- The Federal Income Tax Proclamation;3- The Value Added Tax Proclamation;4- The Excise Tax Proclamation;5- The Stamp Duty Proclamation;6- The Turnover Tax Proclamation and7- any other legislation , regulation or directives	<p>The implementation and enforcement of the tax laws which are assumed to be a duty of the tax Authority to administer the tax laws</p>	<p>All Federal and State government authorities and their agencies, bodies, local government administrations, and associations, and non-government organizations shall have the duty to co-operate with the Authority in the enforcement of the tax laws.</p>



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Tax law	Tax administration	Responsibility & Duty to Co-operate b/n Federal and State Authorities
Tax disputes	Statement of Reasons on tax decision	When the federal and state Authority has refused an application made by a person under a tax law, the notice of refusal shall include a statement of reasons for the refusal
	Making Objection Decisions or Appeal to courts	The federal Authority shall establish a review department as a permanent office within the Authority to provide an independent review of objections and the person who dissatisfied can take its case to tax appeal commission
Burden of Proof	In any proceeding in relation to a tax decision	The burden shall be on the taxpayer to prove that the tax decision is incorrect
Implementation of Mutual Administrative Assistance Agreements	The Minister may, on behalf of the Government,	Enter into, amend, or terminate a mutual administrative assistance agreement with a foreign government or governments



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Revenue by Tax Type

Taxes on income & profits
(Domestic Direct taxes)

Taxes on domestic goods &
services (Domestic Indirect taxes);

indirect taxes on foreign
trade (Trade taxes)



Part 03

Tax services



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Tax services

Tax payers
Registration and
Deregistration

Individuals and
business TIN
Registration

Value Added Tax
Registration

Excise Tax
Registration

Deregistration and
cancelation

Change
Notification



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Tax services

Tax filing and Processing

Filing direct and indirect tax returns
(e-filing)

Tax refund service

Service Audit (Issue and spot Audit)

Tax debt management

Revenue Accounting

Revenue Sharing and Transfer



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Tax Audit

Audit and
Reporting

Investigation Audit



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Other Tax services

Other services

Tax clearance

Tax review and
objections

Instalment
Agreements

Call centre

Cash register
machine(CRM) and
tax data
managements



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E- services

Current e-service platform

E-payment

To be launched in near future

E-refund

E-filing

E-Clearance

Call centre

Paper less letter correspondences



Part 04

tax Incentives for investments



Export trade duty incentive schemes

The Duty Incentive Schemes

The duty draw-back

bonded input supplies warehouse scheme

The voucher

The industrial zone scheme.

The bonded export factory

The bonded manufacturing warehouse



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Income tax incentives

Business Income
Tax Exemption

Manufacturing
sector (up to six
years)

Agriculture sector
(up to ten years)

Communication Technology
(ICT) development (up to five
years)

Electricity generation,
transmission and distribution
(up to five years)

hotel and tour service providers
in non-traditional tourism
destinations (up to five years)

Development and rental of
Industrial parks including ICT
park /developers/ (ten-fifteen
years)



Income tax incentives

Export-linked (additional two years for at least 60% export or supply to exporter) out side industrial park

Basic Pharmaceutical products and Pharmaceutical preparation industry: up to 6 year

Additional two years for industrial park enterprises with 100% export plan and achieve at least 80% export)

Up to five years for expatriate employees of sourcing companies located in industrial parks

Loss carry forward for up to five years



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THANKS