



Federal Inland Revenue Authority

VAT PROCLAMATION NO. 285/2002

VALUE ADDED TAX PROCLAMATION

WHEREAS, the current sales tax does not allow collection of the tax on the added value created wherever a sales transaction

WHEREAS, the value added tax minimizes the damage that may be caused by attempts to avoid and evade the tax and helps to ascertain the profit obtained by the taxpayers;

WHEREAS, the tax enhance saving and investment as it is a consumption tax and does not tax capital;

WHEREAS, replacement of the current sales tax by value added tax enhances economic growth and improves the ratio relationship between Gross Domestic Product and Government Revenue;

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



Federal Inland Revenue Authority

CONTENT

	Page
1. Section One (General).....	3
2. Section Two (Imposition of tax and Transactions Exempted from the Tax).....	10
3. Section Three (Place Time and value of supplies).....	14
4. Section Four (Time and value of imports).....	19
5. Section Five (Registration).....	20
6. Section Six (Calculation of tax payable).....	23
7. Section Seven (Administrative Procedure).....	28
8. Section Eight (Collection Enforcement).....	31
9. Section Nine (Records).....	36
10. Section Ten (Appeal Procedure).....	38
11. Section Eleven (Administrative Penalties).....	40
12. Section Twelve (Criminal Offences).....	42
13. Section Thirteen (Miscellaneous Provisions).....	48



Federal Inland Revenue Authority

SECTION ONE

General

1. Short Title

This proclamation may be cited as the "Value Added Tax Proclamation No.285/2002."

2. Definitions

For the purpose of this Proclamation, unless the context otherwise requires:

1. "Accounting period" means a calendar month. The month of Nahase and Pagumen shall be aggregated and treated as one calendar month;
2. "Agent" means any person who acts on behalf of and on instruction from another person;
3. "Association of persons" means 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. "Authority" means the Federal Inland Revenue Authority;
5. "Body" means 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 behalf of the principal;
6. "Export" means taking goods out of Ethiopia;
7. "Goods" means all kinds of corporeal movable or immovable property, thermal or electrical energy, heat, gas, refrigeration, air conditioning, and water, but does not include money;
8. "Money" means:
 1. A coin or note that is legal tender in Ethiopia; or
 2. A bill of exchange, bank draft, promissory note, postal order, or money order; or
 3. A stamp, from or card that has a monetary value and is sold or issued by the Government for the payment of any fiscal charge leveled under any law except where the coin, note, stamp, from, or card is disposed of as a collector's piece, an investment article, or an item of numismatic interest;



Federal Inland Revenue Authority

9. "Import of Goods" means bringing goods into Ethiopia according to the customs legislation;
10. "Permanent Establishment" means a fixed place of taxable activities through which those activities of a person are wholly or partly carried on. The following shall, in particular, be considered to be a permanent establishment, an administrative office, 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;
11. "Person" means any natural person, sole proprietor, body, joint venture, or association of persons (including a business representative residing and doing business in Ethiopia on behalf of the principal):
12. "Registering Authority" means a person appointed under any law to issue a license, permit, certificate, concession, or other authorization;
13. "Related person" means:
 1. 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
 2. A trust and a person who is or may be a beneficiary in respect of that trust; or
 3. 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 items of this definition; or
 4. An incorporate company, other than a closed corporation and:
 - 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-
 1. The voting power in the first-mentioned company; or
 2. 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



Federal Inland Revenue Authority

- 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-
 - 1. The voting power in the first-mentioned company; or
 - 2. 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
- c) 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. A registered person and a branch or division of that registered person which is separately registered under Article 16 Sub-Article(5); or
- 6. Any branches or divisions of a registered person which are separately registered under Article 16 Sub-Article (5);
- 14. "Relative", in relation to a natural person, means:
 - 1. The spouse of the person; or
 - 2. An ancestor, lineal descendant, brother, sister, uncle, aunt, nephew, niece, stepfather, stepmother, stepchild, or adopted child of that person or her spouse, and in the case of an adopted child her adoptive parent; or
 - 3. The spouse of any person referred to in paragraph (2) and for the purposes of this definition, any adopted child is treated as related to the adoptive parent within the first degree of consanguinity;
- 15. "Resident person" shall have the meaning given to it under the Income Tax Proclamation;
- 16. "Services" means work done for others, which does not result in the transfer of goods;
- 17. "Supply" means the sale of goods or the rendition of services, or both;
- 18. "Supply of Goods" has the meaning assigned to it under Article (4):
- 19. "Rendition of Services" has the meaning assigned to it under Article (4):
- 20. "Tax" or "VAT" shall mean Value Added Tax;
- 21. "Taxable Activity" has the meaning assigned to it under Article (7) Sub-Article (6);



Federal Inland Revenue Authority

22. "Taxable Transaction" has the meaning assigned to it under Article (7) Sub-Article (3);

23. "Tax officer", means:

1. The General Manager of the authority; or
2. A person in the service of the Authority or the Ethiopian Customs Authority; or
3. A police officer or official of the Ethiopian Police Force, acting on behalf of the Authority under this Proclamation; or
4. An employee or official of the Ethiopian Postal Services, acting on behalf of the Ethiopian customs Authority who administers this Proclamation: and

24. "Tax invoice" has the meaning assigned to it under Article 22.

3. Taxpayers

1. For the purpose of this Proclamation, the following persons are taxpayers;
 - a) A person who is registered or is required to be registered, referred to as a registered person;
 - b) A person carrying out taxable import of goods to Ethiopia, with respect to such import;
 - c) A non-resident person who performs services without registration for VAT and who is subject to taxation under Article (23), with respect to such services.
2. A person who is registered is a taxpayer from the time the registration takes effect.
3. A person who is not registered, but who is required to be registered, is a taxpayer from the beginning of the accounting period following the period in which the obligation to apply for registration arose.

4. Supply of Good and Rendition of Services

1. Subject to this Proclamation:
 - a) A supply of goods means:
 1. A sale of goods; or
 2. A grant of the use or right to use goods, whether with or without a driver, pilot, crew, or operator, under a rental agreement, credit agreement, freight contract, agreement for charter, or any other agreement under which such use or right to use is granted: or



Federal Inland Revenue Authority

3. A transfer or provision of thermal or electrical energy, gas, or water; and
 - b) A rendition of services means anything done which is not a supply of goods or money, including:
 1. The granting, assignment, cessation, or surrender of any right or
 2. Making available a facility or advantage.
2. If a registered person purchased goods or services accompanied by a VAT payment and received (or has the right to receive) appropriate credit, the application of those goods or services to a use other than a use in the course or furtherance of a taxable activity is considered to be a supply of goods or services by that person in the course of furtherance of a taxable activity.
3. The supply of goods or rendering of services by an employer to his employees, including gratuitously, is a supply of goods or services in the course or furtherance of a taxable activity.
4. If a registered person's VAT registration is canceled, his goods (including capital goods as provided under Sub-Article (8) on hand at the time the cancellation takes effect are considered to be supplied at cost in a taxable transaction taking place at that time if the registered person claimed or had a right to claim a tax credit with respect to the acquisition of the goods under Article 21.
5. Notwithstanding the other provisions of this Article, the supply of a good by a person who acquired such good in a transaction subject to VAT, but who was not entitled to a credit for the VAT on the acquisition of the good by reason of the operation of Article 21, is not considered a taxable transaction. If a credit was partially allowed on the acquisition of the good, then the amount of the taxable transaction is reduced proportionally according to the portion of the credit that was disallowed.
6. The value of returnable packaging is not included in the taxable amount, except in the case of sales at retail. Retailers may reduce their taxable transactions by amounts shown to have been paid by them as refunds for returned containers.
7. This Proclamation applies to the supply of goods and rendering of services carried out by a nonresident in Ethiopia through a permanent establishment in Ethiopia or through the Internet.
8. For purposes of Sub-Article (4), the cost of capital goods (determined asset-by-asset) treated as supplied at the time of de-registration is equal to the cost of such goods, multiplied by the fraction, the numerator of which is the number of years of useful life remaining and the denominator is the total useful life of the goods. For this purpose, the useful lives shall be determined under directives issued by the Minister of Revenue.
9. The disposal of a taxable activity as a going concern, or a part of a taxable activity that is capable of separate operation, is a supply of goods made in the course or furtherance of such



Federal Inland Revenue Authority

taxable activity, and the transferee succeeds to the rights and obligations of the supplier with respect to the assets transferred.

10. For the purposes of Sub-Article (9), a taxable activity or a part of a taxable activity capable of separate operation is disposed of as a going concern where:

- a) All the goods and services necessary for the continued operation of that taxable activity or that part of the taxable, activity are supplied to the transferee; and
- b) The transferor carries on, or is carrying on, that taxable activity or that part of the taxable activity or that part of the taxable activity up to the time of its transfer to the transferee.

11. Subject to Sub-Article (12), where:

- a) The disposal of a taxable activity, including a disposition of a part of a taxable activity capable of separate operation by a registered person is a supply of goods under Sub-Article (9); and
- b) The supply was charged with tax at the rate of Zero percent in terms of Sub-Article (2) (d) of Article (7); and
- c) The goods and services comprising the taxable activity were acquired by the recipient wholly or partly for a purpose other than for consumption, use, or supply in the course of making taxable transactions;
- d) The acquisition of the taxable activity is a supply by the recipient in the course or furtherance of a taxable activity carried on by the recipient to the extent that the goods and services comprising the taxable activity were acquired for a purpose other than consumption, use or supply in the course of making taxable supplies.

12. Sub-Article (11) does not apply where that part of the taxable activity referred to in Sub-Article (11) (c) is less than 10% of the taxable activity.

13. The council of Ministers may provide in regulations for the treatment of other transaction as supplies of goods or rendition of services, or neither

5. Mixed Supplies

1. A supply of goods or rendering of services, which is incidental to a (main) supply of goods or rendering of services, is treated as part of the latter.
2. The rendering of services incidental to an import of goods is part of the import of goods.
3. A taxable transaction involving independent elements, on or more of which involves the separate supply of goods or rendering of services, which would be exempt from tax, is treated



Federal Inland Revenue Authority

as separate transactions. An exempt transaction, which involves the separate supply of taxable goods or rendering of taxable services, is treated as separate transactions.

6. Taxable Activity

"Taxable activity" means an activity, which is carried continuously or regularly by any person:

1. In Ethiopia, or
2. Partly in Ethiopia,

Whether or not for a pecuniary profit, that involves or is intended to involve, in whole or in part, the supply of goods or services to another person for consideration.



Federal Inland Revenue Authority

SECTION TWO

Imposition of tax and Transactions Exempted from the Tax

7. Imposition of Tax

1. Subject to the provisions of this proclamation and subject to Sub-Article (2), there shall be levied and paid a tax, to be known as value added tax, at the rate of 15 percent of the value of:
 - a) Every taxable transaction by a registered person; and
 - b) Every import of goods, other than an exempt import; and
 - c) An import of services as provided in Article (23).
2. The following taxable transactions shall be charged with tax at a rate of Zero percent:
 - a) the export of goods or services to the extent provided in regulations;
 - b) the rendering of transportation or other services directly connected with international transport of goods or passengers, as well as the supply of lubricant and other consumable technical supplies taken on board for consumption during international flights;
 - c) the supply of gold to the National Bank of Ethiopia; and
 - d) a supply by a registered person to another registered person in a single transaction of substantially all of the assets of a taxable activity or an independent functioning part of a taxable activity as a going concern, provided a notice in writing signed by the transferor and transferee is furnished to the Authority within 21 days after the supply takes place and such notice includes the details of the supply.
3. A taxable transaction is a supply of goods or a transaction of services in Ethiopia in the course or furtherance of a taxable activity other than an exempt supply under Article (8).
4. Except as otherwise provided in this Proclamation, the tax payable under Sub-Article (1) shall:
 - a) In the case of a supply to which Sub-Article (1) (a) applies, be accounted for by the registered person making the supply; or
 - b) In the case of an import of goods to which Sub-Article (1) (b) applies, be paid by the importer; or



Federal Inland Revenue Authority

- c) In the case of an import of services to which Sub-Article (1) (c) applies, be paid by the recipient of the services.

8. Exempt Transactions

1. For purposes of this Article:

- a) "Commercial rental establishment" means---

1. Accommodation in any hotel, motel, inn, boarding house, hostel, or similar establishment in which lodging is regularly or normally provided to five or more persons at a daily, weekly, monthly, or other periodic charge;
2. Accommodation in any house, flat, apartment, or room, other than accommodation in respect of which the provisions of sub-Article (1) or (3) of this definition apply, which is regularly or systematically leased or held for lease as residential accommodation for continuous periods not exceeding 45 days in the case of each occupant of such house, flat, apartment, or room, if the total annual receipts and accruals from the lease thereof exceeded 24,000 Birr, or there are reasonable grounds for believing that such total annual receipts and accruals will exceed that amount;
3. Accommodation in any house, flat, apartment, room, caravan, houseboat, tent, or caravan or camping site which constitutes an asset, including a leased asset of a business undertaking or a separately identifiable part of a business undertaking carried on by any person who:
 1. Leases or holds for leasing as residential accommodation five or more houses, flats, apartments, rooms, caravans, houseboats, or caravan or camping sites in the course of such business undertaking;
 2. Derives total annual receipts and accruals from the leasing of the above listed facilities which exceed 24,000 Birr or there are reasonable grounds for believing that such total annual receipts and accruals will exceed that amount; and
 3. Regularly or normally leases or holds for lease as residential accommodation such houses, flats, apartments, rooms, caravans, houseboats, or caravan or camping sites for continuous periods not exceeding 45 days in the case of each occupant; or
 4. Any other accommodation designated by the Minister or Revenue by directive to be a commercial rental establishment, But does not include, those listed under sub-Articles (5) (6) and (7) unless within 4 above:
5. Accommodation in any boarding establishment or hostel operated by any employer solely or mainly for the benefit of the employees of such employer or of a related person of such employer or their dependents, provided such establishment or



Federal Inland Revenue Authority

hostel is not operated for the purpose of making profits from such establishment of hostel for the employer or such related person;

6. Accommodation in any boarding establishment or hostel operated by any local authority otherwise than for the purpose of making profits from such establishment or hostel: or
7. Accommodation in any registered hospital, maternity home, or clinic;
 - a) "Dwelling" means any building, premises, structure, or any other place, or any part thereof, used predominantly as a place of residence or abode of any natural person or which is intended for use as a place of residence or abode of any natural person, together with any appurtenances belonging thereto and enjoyed therewith, but does not include a commercial entail establishment;
2. The following types of supplies of goods (other than by way of export) or rendering of services, as well as the following types of imports of goods, are exempt from payment of VAT to the extent provided by regulation:
 - a) The sale or transfer of a used dwelling, or the lease of a dwelling;
 - b) The rendering of financial services;
 - c) The supply or import of national or foreign currency (except for that used for numismatic purposes), and of securities;
 - d) The import of gold to be transferred to the National Bank of Ethiopia;
 - e) The rendering by religious organizations of religious or church related services;
 - f) The import or supply of prescription drugs specified in directives issued by the Minister of Health, and the rendering of medical services;
 - g) The rendering of educational services provided by educational institutions, as well as child care services for children at pre-school institutions;
 - h) The supply of goods and rendering of services in the form of humanitarian aid, as well as import of goods transferred to state agencies of Ethiopia and public organizations for the purpose of rehabilitation after natural disasters, industrial accidents, and catastrophes;
 - i) The supply of electricity, kerosene, and water;
 - j) Goods imported by the government, organizations, institutions or projects exempted from duties and other import taxes to the extent provided by law or by agreement.



Federal Inland Revenue Authority

- k) Supplies by the post office authorized under the Ethiopian postal Services Proclamation, other than services rendered for a fee or commission;
 - l) The provision of transport;
 - m) Permits and license fees;
 - n) The import of goods to the extent provided under Schedule 2 of the Customs Tariffs Regulations;
 - o) The supply of goods or services by a workshop employing disabled individuals if more than 60 percent of the employees are disabled; and
 - p) The import of supply of books and other printed materials to the extent provided in regulations.
3. A supply of goods or services is not an exempt supply under this Article if, in the absence of Sub-Article (2), the supply would be charged with tax at the rate of Zero percent under Article 7, Sub-Article (2).
4. The Minister of Finance and Economic Development may be directive exempt other goods and services.



Federal Inland Revenue Authority

SECTION THREE

Place, Time and Value of Supplies

9. Place of Supply of Goods

1. If a supply involves goods being transported, the supply takes place at the location of the goods when transportation starts. In other cases, the supply of goods takes place at the location where the goods are transferred.
2. A supply of electric or thermal energy, gas, or water takes place where the goods are received, except that if these are exported from Ethiopia, the supply is considered to take place in Ethiopia.

10. Place of Rendering of services

1. Except as otherwise provided by this Article, the place of rendering of services is the location of the taxable activity of the person who renders the services.
2. The place of rendering of services is:
 - a) The place where immovable property is located, if the services are directly connected with the property;
 - b) The place where the services are actually carried out if they are connected with movable property;
 - c) The place where services are actually carried out, if they are rendered in the field of culture, art, education, physical fitness, or sports, or in another similar activity;
 - d) The place where transportation actually takes place, if the services are connected with that transportation for purposes of Article 7, Sub-article (2) (b), a transaction connected with the rendering of services by a person outside Ethiopia, is considered as carried out in Ethiopia;
 - e) The location of the permanent establishment of the purchaser of the services to which the services most closely relate, in case of:
 1. The transfer of ownership or concession of patents, licenses, trademarks, copyrights, or other similar rights;
 2. Consulting, legal, accounting, engineering, and advertising service, as well as data processing services, and other similar services;



Federal Inland Revenue Authority

3. The leasing of movable property (except or vehicles of transportation enterprises);
4. Services of an agent that engages a person (enterprise or physical person) on behalf of the main participant in a contract to perform the service tat are described in this Sub-Article.

11. Time of Supply

1. Except as provided in this Article or in regulations issued by the Council of Ministers, a supply occurs when a VAT invoice issued for that transaction.
2. Notwithstanding the provisions of Sub-Article the supply will be considered as having taken place--
 - a) At the time the goods are made available to the recipient, sold or transferred, or the services are rendered: or
 - b) In the case of a delivery of goods that involves shipment of the goods, when the shipment starts.
3. Notwithstanding the provisions of Sub-Article (1) and (2), if payment is made in advance of the time described in Sub-Article (2) (a) or (s) (b), and if a VAT invoice is not issued within 5 days after the date of payment, the supply will be considered as having taken place at the time payment is made.
4. For the purpose of Sub-article (3) of this Article, and except as provided in Sub-Article (5) of this Article, if two or more payments are made for a supply, each payment is treated as made for a separate supply to the extent of the payment.
5. If services are rendered on a regular or continuing basis, a rendering of services is treated as taking place on each occasion when a VAT invoice is issued in connection with such services or, if payment is made earlier, at the time when payment is made of any part of such services.
6. In the case of application of Article 4, Sub-Article (3), the time of the supply is the time when the use or consumption of goods or services begins.
7. In the cases specified in Article 4, Sub-Article (4), the time the supply occurs is the time of supply of the goods or rendering of the services to the employee.
8. In the case of the application of Article (4), Sub-Article (5), the time of supply is immediately before the cancellation takes effect.
9. A supply for a consideration in money received by the supplier by means of a machine, meter, or other device operated by coin, note, or coupon occurs when the coin, note or coupon is taken from that machine, meter, or other device by or on behalf of the supplier.



Federal Inland Revenue Authority

10. The time when other supplies occur may be provided by directives issued by the Minister of Revenue.

12. Value of a supply

1. The value of a supply is determined according to the amount the person receives or is entitled to receive in return for the supply of goods or rendering of services, whether from the customer or any other person (including any duty, taxes, or other fee payable), but without including VAT.
2. If the person receives or is entitled to receive goods or services in exchange for a supply of goods or a rendition of services, the value of the supply includes the market price of these goods or services (including any duty, taxes, or other fee payable), but without including VAT.
3. In a case where the person receives or is entitled to receive nothing of value in exchange for a supply of goods or a rendition of services (including that of goods remaining on hand in the case of a cancellation of registration, but not including supply of business samples), the value of the supply is the market price of the goods or services supplied or rendered (including and duty, taxes, or other fee payable), but without including VAT.
4. In the case of consumption or use of goods or services, other than in connection with a taxable activity according to Article 4, Sub-Article (3), as well as in the case of a supply or rendering to an employer's employee according to Article 4, sub Article (4) the value of the supply is the cost price of the goods or services supplied (including any duty, taxes, or other fee payable), but without including VAT.
5. The Minister of Revenue may issue a directive to provide for the calculation of the value of a service for supplies not covered in this Article.

13. Adjustment of the value of a Taxable Transaction

1. This Article applies where, in relation to a taxable transaction made by a registered person:
 - a) The transactions cancelled;
 - b) The nature of the transaction is changed;
 - c) The previously agreed consideration for the transaction is altered, whether due to a reduction of prices or for any other reason; or
 - d) The goods or services are returned in full or in part to the registered person.



Federal Inland Revenue Authority

2. If a registered person has, as a result of the occurrence of one or more of the events described in Sub-Article (1) of this Article:
 - a) Provide a VAT invoice, and the amount of VAT shown on the invoice is incorrect, or
 - b) Shown an incorrect amount of VAT on a VAT return, Then an adjustment is made as specified in Article 20, sub-Article (2) or Article 21, Sub-Article (7).
3. Where a tax invoice has been issued in the circumstances specified under Sub-Article (2)(a) and the amount shown as tax charged in that tax invoice exceeds the tax properly chargeable in respect of the supply, the registered person making the supply shall provide the registered person making with a tax credit note containing the particulars specified in Sub-Article (9).
4. A Person shall not provide a tax credit note in any circumstances other than those specified under Sub-Article (3).
5. Where a tax invoice has been issued in the circumstances specified under Sub-Article (2) (a) and the tax properly chargeable in respect of the supply exceeds the amount shown as tax charged in that tax invoice, the registered person making the supply shall provide the recipient of the supply with a tax debit note containing the particulars specified in Sub-Article (10).
6. A person shall not provide a tax debit not in any circumstances other than those specified under Sub- Article (5).
7. A registered person shall only issue one tax credit note or tax debit note for the amount of the excess stated in Sub-Article (3) or (5) respectively.
8. Notwithstanding the provisions of this Article, where a registered person claims to have lost the original tax credit note or tax debit note, the registered person who made the supply may provide copy clearly marked "copy".
9. Except as the Authority may otherwise allow, a tax credit note as required by Sub-Article (3) shall contain the following particulars:
 - a) The words "tax credit note" in a prominent place;
 - b) The name, address, and taxpayer identification number of the registered person making the supp;
 - c) The name, address, and taxpayer identification number of the recipient of the supply;
 - d) The value of the supply shown on the tax invoice, the correct amount of the value of the supply, the difference between those two amounts, and the tax charged that relates to that difference;
 - e) A brief explanation of the circumstances giving rise to the issuing of the tax credit note;



Federal Inland Revenue Authority

- f) Information sufficient to identify the taxable supply to which the tax credit note relates.
 - g) Information sufficient to identify the taxable supply to which the tax credit note relates.
10. Except as the Authority may otherwise allow, a tax debit note as required by Sub-Article (5) shall contain the following particulars:
- a) The words "tax debit note" in a prominent place;
 - b) The name, address, and taxpayer identification number of the registered person making the supply;
 - c) The name, address, and taxpayer identification number of the recipient of the supply;
 - d) The date on which the tax debit note was issued;
 - e) The value of the supply shown on the tax invoice, the correct amount of the value of the supply, the difference between those two amounts, and the tax that relates to that difference;
 - f) A brief explanation of the circumstances giving rise to the issuing of the tax debit note; and
 - g) Information sufficient to identify the taxable supply to which the tax debit note relates.



Federal Inland Revenue Authority

SECTION FOUR

Time and Value of Imports

14. Time of the Imports of Goods

An import of goods takes place when the goods are entered into the customs declaration.

15. Value of a Taxable Import

1. The value of a taxable import is the customs value of the goods, determined in accordance with the customs legislation of Ethiopia, plus the sum of duties and taxes payable upon the import of the goods into Ethiopia, excluding VAT and income tax withholding.
2. In the case of services considered part of an import under Article 5, Sub-Article (2), their value, without VAT, is added to the value as defined under Sub-Article (1) of this Article.



Federal Inland Revenue Authority

SECTION FIVE

Registration

16. Obligator Registration

1. A person who carries on taxable activity and is not registered is required to file an application for VAT registration with the Authority if-
 - a) At the end of any period of 12 calendar months the person made, during that period, taxable transactions the total value of which exceeded 500,000 Birr; or
 - b) At the beginning of any period of 12 calendar months there are reasonable grounds to expect that the total value of taxable transactions to be made by the person during that period will exceed 500,000 Birr.
2. The Minister of Finance and Economic Development may by directive increase or decrease the threshold provided for under Sub-Article 1.
3. A person required to register shall file an application for registration no later than the last day of the month after the end of the period in Sub-Article (1) (a), or the last day of the month of the period in Sub-Article (1) (b).
4. Subject to Sub-Article (5), a registered person who conducts taxable activity in a branch or division shall be registered only in the name of the registered person
5. Notwithstanding Sub-Article (4), the Authority may, upon application in writing by a registered person operating in corporate form, authorize the registered person to register one or more of its branches or division as separate registered persons where the Authority is satisfied that the branch or division maintains an independent accounting system and can be separately identified by the nature of its activities or location.
6. The registration of a branch or division under Sub-Article (5) is subject to such conditions and restrictions as the Minister of Revenue may deem fit.
7. In determining whether a person has an obligation to register under Sub-Article (1)
 - a) The authority may aggregate the value of taxable transaction made by one person with the value of taxable transactions made by the other person where both persons are related persons; and
 - b) The value of the person's taxable transactions is determined under Article (12).



Federal Inland Revenue Authority

17. Voluntary Registration

A person who carried o taxable activity and s not required to be registered for VAT, may voluntarily apply to the Authority for such registration, if he regularly is supplying or rendering at least 75% of his goods and services to registered persons.

18. Registration Procedure

1. A person applying to register for VAT is required to do so in such a form as is established by the implementation directive issued by the Minister of Revenue.
2. Subject to Sub-Article (8), when a person carrying out taxable transactions files an application to be registered for FAT, the Authority is required to register the person in the VAT register, and to issue a certificate of registration mention in Sub-Article 3 below within 30 days of the registration.
3. The Authority shall issue a VAT registration certificate containing such details as:
 - a) The full name and other relevant details of the registered person;
 - b) The date of issuance of the certificate;
 - c) The date from which the registration takes effect;
 - d) The registered person's taxpayer identification number.
4. Registration takes place on one of the following dates, depending which date comes first:
 - a) In case of obligatory registration, on the first day of the accounting period following the month in which the obligation to apply for registration arose;
 - b) In the case of voluntary registration, on the first day of the accounting period following the month in which the person applied for registration.
 - c) On the date selected by the registered person on his application for registration.
5. The Authority is required to establish and maintain a VAT register containing details of all persons registered for VAT.
6. If a person is required to register for VAT and has not applied to be registered, the Authority may register the person on its own initiative and send to the registered person the certificate as mentioned in Sub-Article (2) of this Article.
7. A person registered for VAT is required to use his taxpayer identification number on all VAT invoices, and on all returns and official communications with the Authority.



Federal Inland Revenue Authority

8. When a person applied for voluntary registration under Article 17, the Authority can deny the application for registration if:
 - a) the person has no fixed place of abode or business; or
 - b) The Authority has reasonable grounds to believe that the person will not keep proper records or will not submit regular and reliable tax returns, as required under this Proclamation.

19. Cancellation of Registration

1. A registered person is to apply to have his registration for VAT canceled if he has ceased to make taxable transactions.
2. Except in situations provided for in Sub-Article (1) of this Article, a registered person may apply to have his registration for VAT canceled at any time after a period of three years of the date of his most recent registration for VGAT if the registered person's total taxable transactions in the period of 12 months them beginning reasonably are expected to be not more than 500,000 Birr.
3. The cancellation of VAT registered takes effect at the time the registered person ceased to make taxable transaction or, if the registered person has not ceased to do so, at the end of the accounting period during which the person applies to the Authority or cancellation of VAT registration n accordance with Sub-Article (2) of this Article.
4. If a person's registration for VFAT is canceled, the Authority is required to remove the person's name and all other details from the VAT register and the person is required to return the issued certificate of registration.



Federal Inland Revenue Authority

SECTION SIX

Calculation of Tax Payable

20. Tax payable for Tax Period

1. The amount of tax payable for any accounting period by a person who is registered or is required to register its the difference between the amount of tax charged on taxable transactions in accordance with Article (7).
2. In cases described in Article (13), where VAT payable exceeds VAT actually indicated by the registered person, the amount of the excess is treated as VAT due for the accounting period in which the event referred to in Article 16 occurred and is added to the amount of tax payable for the accounting period under Sub-Article (1) of this Article.

21. Tax Credit

1. Except as otherwise provided in this Article, the amount of VAT that is creditable is the amount of VAT payable (paid) by a registered person in respect of tax invoices or Customs Declarations issued to he person for:
 - a) Imports of good that take place during the current accounting period under Article 14; and
 - b) Taxable transactions involving the supply of goods or rendering of services that are considered to take place during the current or preceding accounting period under Article 11, where the goods or services are used or are to be used for the purpose of the registered person's taxable transaction.
2. Where only a part of the supplies made by a registered person during a tax period are taxable transactions, the amount of tax creditable under Sub-Article (1) for that period is determined as follows:
 - a) In respect of a supply or import received which is directly allocable to the making of taxable transactions, the full amount of tax payable in respect of the supply or import shall be allowed as a credit;
 - b) In respect of a supply or import received which is directly allocable to the making of exempt transaction, no amount of tax payable in respect of the supply or import. Shall be allowed as a credit, or shall be allowed as a credit; or
 - c) In respect of a supply or import received which is used both for the making of taxable and exempt transactions, the rules of apportionment of the credit shall be determined by a directive to be issued by the Minister or Revenue,



Federal Inland Revenue Authority

3. No credit is allowed for VAT:
 - a) On a taxable transaction to, or import by, a person of a passenger vehicle:
 1. Unless the person is in the business of dealing in, or hiring of, such vehicles, and the vehicle was acquired for the purposes of such business, or
 2. Unless the person is engaged in the business of transporting passengers for hire and the vehicle was acquire and are licensed for that purpose;
 - b) On a taxable transaction, or import by, a person of goods or services acquired for the purposes of entertainment or providing entertainment, unless-
 1. The person is tin the business of providing entertainment and the supply or import relates to the provision of taxable transactions involving entertainment in the ordinary course of that business; or
 2. The person is in the business of providing taxable transactions involving transportation services and the entertainment is provided to passengers as part of the transportation services; or
4. For purposes of Sub-Article (3)
 - a) "Passenger vehicle" means a road vehicle designed or adapted for the transport of eight or fewer seated persons, including a double cab vehicle, and
 - b) "Entertainment" means the provision of food, amusement, recreation, or hospitality of any kind by a registered person whether directly or indirectly to any person in connection with a taxable activity carried on by the registered person.
5. In cases provided for in Article (13), where VAT indicated in he VAT invoice or customs Declaration for a transaction exceeds VAT payable on this transaction, the registered person is allowed a credit for the amount of the excess in the accounting period in which the event referred to in Article (13) occurred, except that if the supply was made to a person who is not a registered person, no credit is allowed unless the excess tax has been repaid to the recipient of the supply
6. A person who registers for VAT after the introduction of VAT shall be entitled to credit under this Article in the first accounting period in which the person is registered for VAT paid or payable on goods (including capital goods) that are on hand on the date of registration, but only to the extent that the purchase or import of the goods occurred not more than six months prior to the date of registration.
7. A beneficiary of the Duty Draw-Back Scheme under proclamation No.249/2001: A Proclamation to Establish Export Trade Duty Incentive Scheme is not entitled to a refund of VAT paid on imports under that scheme to the extent that the beneficiary claims a credit



Federal Inland Revenue Authority

under this Article for tax on imports.

22. Tax Invoices

1. Except as otherwise provided in Sub-Articles (6) and (7) of this Article, a person registered for VAT that carries out a taxable transaction is required to issue a VAT invoice to the person who receives the goods or services. A person who is not registered for VAT does not have the right to issue a tax invoice.
2. A VAT invoice is a document executed in the form stipulated by the Minister of Revenue and containing the following information
 - a) Full name of the registered person and the purchaser, and the registered person's trade name, if different from the legal name,
 - b) Taxpayer identification number of the registered person and the purchaser,
 - c) Number and date of the VAT registration certificate:
 - d) Name of the goods shipped or services rendered;
 - e) Amount of the taxable transaction;
 - f) Amount of the excise on excisable goods:
 - g) Sum of the vat due on the given taxable transaction;
 - h) The issue date if the VAT invoice, and
 - i) Serial number of the VAT invoice.
3. The registered person is required to issue the VAT invoice to the purchaser of goods or services upon the supply or rendering, but not later than 5 days after the transaction.
4. Except when a tax invoice is not required under Sub-Articles (6) and (7), a registered recipient who has not received a tax invoice as required under Sub-Article (1) may request, in writing within 60 days after the date of the supply, the registered supplier to provide a tax invoice in respect of the taxable transaction, and the supplier must comply within 14 days after receiving the request.
5. Where a registered recipient claims to have lost the original tax invoice for a taxable transaction, the registered supplier may provide a copy clearly marked "copy"
6. Subject to Sub-Article (7), in the case of a registered person's of goods or rendering of services at retail to purchasers who are not VAT registered persons, the Minister or Revenue



Federal Inland Revenue Authority

may by directive provide that a receipt or simplified form of VAT invoice may be used instead of a VAT invoice.

7. The Minister of Revenue may by directive waive a registered person's obligation to issue a receipt or tax invoice for cash sales if the total consideration for the entire supply does not exceed 10 birr.

23. Reverse Taxation

1. If a nonresident person who is not registered for VAT in Ethiopia renders services in Ethiopia for a customer described under Sub-Article (2) of this Article, the rendering of services is taxed according to this Article.
2. For purposes of this Article, a customer is any person registered in Ethiopia for VAT or any resident legal person.
3. Except as provided in Sub-Article (7), in a case where Sub-Article (1) of this Article applies, unless the service is exempt from tax under Article 8 if it is provided to an Ethiopian supplier, the customer shall withhold the from the amount payable to the non-resident. The amount of tax is determined by a method of calculation to be determined by Regulations issued by the Council of Ministers.
4. If the customer is registered for VAT, the withheld tax is payable at the time for filling of the VAT return for the accounting period in which the transaction took place. The payment document for payment of the withheld tax is considered to be a VAT invoice, and gives the customer the right to a VAT credit according to Article 21 Sub-Article (1).
5. If the customer is not registered for VAT, he is required to pay the withheld tax in the manner prescribed by the implementation directives issued by the Minister of Revenue within 30 days of the date of payment to the non-resident.
6. In the case of the import of property owned by a nonresident for lease, where the lease payments are subject to VAT under this Article, the lessee may claim a VAT credit for the tax paid on the import upon the agreement of the nonresident owner. In this event, the lessee is treated as the taxpayer and is responsible for VAT payable upon the subsequent supply of the property.
7. This Article does not apply to an import of services to the extent that the nonresident supplier of the services pays the tax imposed on the import services under Sub-Article (3).



Federal Inland Revenue Authority

24. Transaction by Agent

1. A supply of goods or rendering of services by a person as agent ("proxy") for another person ("principal") on behalf and on instruction of that other person is considered as a transaction made by the principal. Both Agents principal shall be held liable to pay the tax according to the provisions of this proclamation.
2. Sub-Article (1) of this Article does not apply to services rendered by an agent to the principal.
3. Sub-Article (1) of this Article does not apply to the supply of goods in Ethiopia by a resident agent of a non-resident person who is not registered for VAT in Ethiopia. In this case for purposes of VAT the supply is considered as carried out by the agent.

25. Special Rules

When the rules in the Proclamation are difficult to apply, to calculate the tax liability of suppliers of gambling lottery, and travel agent services, sales on commission, sales of second-hands and supplies of other industries, the Minister of Revenue may issue directives governing these suppliers of supplies.



Federal Inland Revenue Authority

SECTION SEVEN

Administrative Procedures

26. Filing of Tax Return and Payment of VAT

1. Every registered person is required:
 - a) To file VAT return with the Authority for each accounting period, whether or not tax is payable in respect of that period;
 - b) To pay the tax for every accounting period by the deadline for filing the VAT return.
2. The VAT return for every accounting period shall be filed no later than the last day of the calendar month following the accounting period.
3. In case where a registration takes place with retroactive effect under Article (18), Sub-Article (4) (c), the registered person is required to pay VAT for taxable transactions taking place since the coming into effect of the registration and is entitled to a VAT credit according to credit procedures for registered persons, In addition, the corresponding transactions are to be reflected on the first return filed by the registered person and are considered as taking place during the month to which the return relates, In this event the registered person is entitled to issue VAT invoices for the transactions shown on the return.
4. VAT on taxable imports is collected by the Ethiopian Customs Authority in accordance with this proclamation and the customs legislation of Ethiopia under the procedure contemplated for customs duty.

27. VAT Refund

1. Subject to this Article, if a lease 25 percent of the value of a registered person's taxable transactions for the accounting period (other than under Article (7) Sub-article (2) (d) is taxed at a zero rate, the Authority shall refund the amount of VAT applied as a credit in excess of the amount of VAT charged for the accounting period within a period of two months after the registered person files an application for refund, accompanied by documentary proof of payment of the excess amounts.
2. Subject to this Article, in the case of other registered persons, the amount of VAT applied as a credit in excess of the amount of VAT charged for the accounting period is to be carried forward to the next five accounting periods and credited against payments for these periods, and any unused excess remaining after the end of this five-month period shall be refunded by the Authority within a period of two months after the registered person files an application for refund, accompanied by documentary proof of payment of the excess amounts.



Federal Inland Revenue Authority

3. In all cases where an amount refunded to a person is established by the Authority to have been made erroneously, the Authority may demand the return of such amount.
4. The Minister of Finance and Economic Development shall determine the manner in which and the amount of the tax collections that will be retained for VAT refunds.
5. Where the Authority is satisfied that a person who made an application for refund under Sub-Article (1) or (2) has overpaid tax, the Authority shall:
 - a) First apply the amount of the excess in reduction of any tax, levy, interest, or penalty payable by the person under this Proclamation, the Customs Proclamation, the income Tax Proclamation, or the Sales and Excise Tax Proclamation; and
 - b) Then repay any amount to be refunded is more than 50 birr.
6. If a registered person is entitled to a refund under Sub-Article (5) and the Authority is satisfied that the person has overpaid tax, then if the Authority does not pay the refund by the date specified in Sub-Article (1) or (2), whichever is applicable, the Authority shall pay the person entitled to the refund, interest set at 25% (twenty five percent) over and above the highest commercial lending interest rate that prevailed during the preceding quarter.

28. Responsibility for Administration and Reporting

1. The responsibility for the correct calculation and timely payment of VAT and presentation of a return to the Authority by the prescribed deadline rests on the taxpayer or other person in accordance with this Proclamation, and in cases where the collection of VAT is in the competence of the Ethiopian customs Authority, in accordance with the customs legislation of Ethiopia.
2. The tax is administered by the Authority and by the Customs Authority within their respective competencies, in accordance with this Proclamation and with the customs legislation of Ethiopia.

29. Assessment of Tax

1. If, after review by the Authority, it appears that a person has understated his tax obligation, the authority shall issue an additional assessment:
 - a) Except as provided in (b), within 5 years after the end of the accounting period concerned;
 - b) In the case of fraud or gross or willful negligence, notwithstanding any limitation in any other law, at any time.



Federal Inland Revenue Authority

2. If the Authority makes an additional assessment under sub-Article (1) and within 30 days of the notice and demand, the person assessed does not pay the additional assessment or appeal the assessment as provided under article 43, the person is in default.



Federal Inland Revenue Authority

SECTION EIGHT

Collection Enforcement

30. Powers And Duties of Tax Administration

1. The implementation and enforcement of this Proclamation and of Regulations issued hereunder shall be the duty of the Authority.
2. Notwithstanding anything to the contrary in any other law, the Authority shall be empowered to investigate any statements, records and books of account submitted by any person at any time by:
 - a) Sending duly accredited inspectors to check the statements, records and books of account, or any vouchers, stocks or other material items at the person's place of business or practice;
 - b) Requiring the person or any employee 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 reasonable convenient tax office and answer any questions relating thereto;
 - c) Requiring any person including a municipality, body, financial institution, department or agency of Federal or Regional government to disclose particulars of any information or transactions;

31. Seizure of Property to collect Tax

1. Subject to Sub-Article (4), if any person liable to pay any tax imposed by this Proclamation is in default Article (29), Sub-Article (2) or Article (43), Sub-Article (2), it shall be lawful for the 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.
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 person liable for VAT, 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 Authority may request a police officer to be present during the 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 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.



Federal Inland Revenue Authority

3. Whenever any property on which seizure had been made is not sufficient to satisfy the claim for which seizure is made, the 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 from such person, together with all expenses, is fully paid.
4. Seizure may be made under Sub-Article (1) on property of any person in default with respect to any unpaid tax only after the Authority has notified such person in writing of the 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 Authority makes a finding that the collection of the tax is in jeopardy, demand for immediate payment of such tax may be made by the Authority and, on failure or refusal to pay the tax, collection thereof by seizure shall be lawful without regard to the 30-day period provided in Sub-Article (1) and the 30-day provided in Sub-Article (4).
6. 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 relation to the property subject to seizure shall, on demand of the Authority, exhibit such books or records to the Authority.
7. Any person in possession of (or obligated with respect to) property subject to seizure on which a seizure has been made shall, on the demand of the Authority, surrender such property (or discharged such obligation) to the Authority, except such part of the property as is, at the time of such demand, subject to a prior secured claim of creditors and subject to an attachment or execution under any judicial process.
8. Any person who fails or refuses to surrender any property subject to seizure, on demand of the 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 tax for the collection of which seizure has been made (together with costs and interest on such sum).
9. In addition to the personal liability imposed by Sub-Article (8), 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 (8).
10. 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 person or to any other person arising from such surrender or payment.

32. 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 upon the assets of the person liable to pay the tax until the tax is paid.



Federal Inland Revenue Authority

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, 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 the Authority may, by notice in writing, direct the Registering Authority that the asset, to extent of the defaulter's interest therein, shall be the subject or security for the total amount of unpaid tax.
4. Where the Authority has served a notice on the Registering Authority shall, without fee, register the notice of security as if the notice were an instrument of mortgage over or charge on, as the case may be, such asset, 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 asset to secure the amount due.

33. Collection of Tax from recipients of supply

1. Where, in consequence of a fraudulent action or misrepresentation by the recipient of a taxable transaction from a registered person, the registered person incorrectly treated the transaction, as an exempt or zero-rated transaction, the Authority may raise an assessment upon the recipient for the amount of unpaid tax in respect of the transaction, together with any interest or penalty that has become payable,
2. The Authority shall serve notice of tax charged under sub-Article (1) on the recipient specifying:
 - a) The tax payable;
 - b) The date the tax is due and payable: and
 - c) The time, place, and manner of objection to the assessment.
3. An assessment raised under Sub-Article (1) is treated as any tax charged for all purposes of the proclamation.
4. Sub-Article (1) does not preclude the Authority from recovering the tax, interest, or penalty from the registered person making the supply.
5. For purposes of Sub-Article (4), any amount recovered from the recipient is to be credited against the liability of the registered person; and any amount recovered from the registered person is to be credited against the liability of the recipient.



Federal Inland Revenue Authority

6. Where an amount of tax, interest, or penalty referred to in Sub-Article (1) is paid by the registered person, the registered person may recover the amount paid from the recipient.

34. Jeopardy Assessment

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

35. Taxpayer Safeguards

Any property seized under section (8) shall be seized, held, and accounted for only by the 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 what so ever, if any property seized under this Section is sold, any portion of the proceeds in excess of the person's liabilities shall be returned promptly to the owner of the property.

36. Duties of Receivers

1. In this Article, "receiver" means a person who, with respect to an asset in Ethiopia of a registered person, is:
 - a) A liquidator of a company;
 - b) A receiver appointee out of court or by a court;
 - c) A trustee for unrehabilitated insolvent;
 - d) A mortgagee in possession;
 - e) An executor of a deceased estate
 - f) Any other person conducting a business on behalf of a person legally incapacitated.
2. A receiver shall, in writing, notify the Authority within 14 days after being appointed to the position or taking possession of an asset in Ethiopia, whichever first occurs.



Federal Inland Revenue Authority

3. The Authority may, in writing, notify a receiver, of the amount which appears to the Authority to be sufficient to provide for tax which is or will become payable by person whose assets are in the possession of the receiver.
4. A receiver--
 - a) shall aside, out of the proceeds of sale of an asset, the amount specified by the Authority under Sub-Article (3), or such lesser amount as is subsequently agreed on by the Authority;
 - b) Is liable to the extent of the amount set aside for the tax of the person who owned the asset; and
 - c) May pay any debt that has priority over the tax referred to in this Article notwithstanding any provision of this Article.
5. A receiver is personally liable to the extent of any amount required to be set aside under Sub-Article (4) for the tax referred to in sub-Article (3) if, and to the extent that, the receiver fails to comply with the requirements of this Article.



Federal Inland Revenue Authority

SECTION NINE

Records

37. Record keeping

1. A registered person or any other person liable for tax under this proclamation shall maintain for 10 years in Ethiopia-
 - a) original tax invoices received by the person,
 - b) a copy of all tax invoices issued by the Peron,
 - c) customs documentation relating to imports and exports by the person,
 - d) accounting records; and
 - e) any other records as may be prescribed by the Minister of
2. For purposes of Sub-Article (1), records means accounting records, accounts, books, computer-stored information, or any other documents.

38. Notification of Changes

Every registered person shall notify the Authority, in writing, of:

1. Any change in the name, address, place of business, constitution, or nature of the principal taxable activity or activity or activities of the person; and
2. Any change of address from which, or name in which, a taxable activity is carried on by the registered person, within 21 days of the change occurring.

39. Service of Notice

1. A notice or other document issued, served, or given by the Authority under this proclamation, 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 bus9iness 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:



Federal Inland Revenue Authority

- 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: and
 - c) In the case of non-resident persons, or 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 the could not be served in person.
2. If in any case none of the measures specified in Sub-Article (1) are effective, service may be discharged by the publication in any newspaper in which court notices may be advertised, with the cost of such publication to be charged to the taxpayer.



Federal Inland Revenue Authority

SECTION TEN

Appeal procedure

40. Review Committee

Members of the Review Committee shall be appointed by the Minister of Revenue Upon the recommendation of the Head of the Authority.

41. Powers an Duties of the Review Committee

1. The Review Committee shall be accountable to the head of the Authority and shall have the following duties:
 - a) To examine and decide on all applications submitted by tax payers for compromise of penalty and interest and on the tax assessed;
 - b) To gather any written evidence of 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 determinations made by the Authority for accuracy, completeness, and compliance with this proclamation.
2. The Head of the Tax Authority may approve the recommendations or remand the case, with his observations, to the committee for further review.
3. The committee shall only review application Submitted to it within 10 days of receipt of tax assessment notification.

42. Waiver of Penalty

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

43. Appeal

1. Any person who objects to an additional assessment made by the Authority has the right to appeal, within 30 days from the receipt of that assessment notification, or from the date of



Federal Inland Revenue Authority

decision of the Review Committee to the Tax Appeal Commission by depositing in cash with the Authority an amount equal to 50% of the additional tax assessed.

2. If a person appeals in accordance with Sub-Article (1) and the Tax Appeal Commission determines that the person is liable for the additional assessment, he shall be in default unless he pays within thirty (30) days of the decision of the commission.
3. If no appeal is made within the period prescribed in Sub-Article (1) of this Article, the Additional assessment of the tax made by the Authority shall be deemed to be correct and final and shall be immediately payable.
4. Without prejudice to Sub-Article (1) of this Article, the provisions of the income Tax proclamation, concerning appeals shall, mutata mutantis; apply to appeals regarding taxes imposed by this proclamation.

44. Burden of Proof

The burden of proving that an assessment is excessive or that the decision of the authority is wrong is on the person objection to the assessment or decision.



Federal Inland Revenue Authority

SECTION ELEVEN

Administrative Penalties

45. Penalties

The following penalties are imposed for violations of this proclamation:

- a) Where any person engages in taxable transactions without VAT registration where VAT registration is required-100 percent of the amount of tax payable for the entire period of operation without VAT registration;
- b) Where any person issued incorrect tax invoice resulting in a decrease in the amount of tax or increase in accredit or in the event of the event of the failure to issue a tax invoice-100 percent of the amount of tax for the invoice or on the transaction;
- c) Where a person who is not registered for VAT issues a tax invoice-a penalty of 100 percent of the tax which is indicated in the tax invoice and is due for transfer to the budget but has not been transferred; and
- d) Where a person fails to maintain records required under Article 37-2,000 Birr for each month or portion thereof that the failure continue.

46. Penalties for Late Filing

1. Except as otherwise provided in this Proclamation, a person who fails to file a timely return is liable for a penalty equal to 5 percent of the amount of tax underpayment for each month (or portion thereof) during which the failure continues, up to 25 percent of such amount.
2. The penalty under Sub-Article (1) of this Article is limited to 50,000 Birr for the first month (or portion thereof) in which no return is filed.
3. For purposes of this Article, an underpayment of tax is the difference between the tax required to be shown on the return and the amount of tax paid by the due date.
4. In any event the penalty may not be less than smaller of the two amounts:
 - a) 10,000 Birr,
 - b) 100 percent of the amount of tax required to be shown on the return.



Federal Inland Revenue Authority

37. Late Payment Interest

1. If any amount of tax is not paid by the due date, the person liable is obliged to pay interest on such amount for the period from the due date to the date the tax 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.



Federal Inland Revenue Authority

SECTION TWELVE

Criminal Offences

48. Procedure in Tax Offence Cases

A tax offence under this Section (12) is a violation of the criminal law of Ethiopia and shall be charged, prosecuted, and appealed in accordance with Ethiopia criminal procedure law.

49. Tax Evasion

A person who evades the declaration or payment of tax, or a person who, with the intention to defraud the government, applies for a refund he is not entitled to, commits an offence and, in addition to any penalty under Section (11), may be prosecuted and, on conviction, be subject to a term of imprisonment of not less than five (5) years.

50. Making False or Misleading Statements

1. A taxpayer who:
 - a) Makes a statement to a tax officer of the Authority that is false or misleading in a material particular, or
 - b) Omits from a statement made to an officer of the 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 were undetected may result in an underpayment of tax by an amount not exceeding 1,000 Birr, 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 1,000 Birr, to a fine of not less than 20,000 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 were 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



Federal Inland Revenue Authority

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 1,000 Birr, 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.

51. Obstruction of Administration

1. A person who,
 - a) Obstructs or attempt to abstract an officer of the 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 1,000 Birr and not more than 100,000 Birr, and imprisonment for a term of two (2) years;
2. For purposes of Sub-Article (1), the following and similar other actions are considered to constitute obstruction:
 - a) Refusal to satisfy a request of the Authority for inspection of documents reports, or other information related to a taxpayer's income-producing activities:
 - b) Noncompliance with an Authority request to report for an interview:
 - c) Interference with a taxation officer's right to enter the taxpayer's business premises.

52. Failure to Notify

A person who fails to notify the Authority of a change as required by Article 38 commit an offence and is liable on conviction:

- a) Where the failure was made knowingly or recklessly, to a fine of not less than 10,000 Birr and to imprisonment for one year; or
- b) In any other case, to a fine of not less than 5,000 Birr and to imprisonment for six months.



Federal Inland Revenue Authority

53. Offenses by Tax Officer

1. Any tax officer or former taxation officer employed in carrying out the provisions of this Proclamation who,
 - a) Directly or indirectly asks for, or receives in connection with any of the taxation 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 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 taxation officer's duty,

Commits an offence and is liable on conviction to a fine not less than 50,000 Birr and to imprisonment for a term of not less than ten (10) years and not more than twenty (20) years.

2. A tax officer or former tax officer employed in carrying out the provisions of this proclamation, except such information is required by the commercial Code of Ethiopia to be published in the Trade Gazette, who,
 - a) Discloses to any person or that person's representative, any matter in respect of another person, that may, in the exercise of the taxation officer's powers of the performance of the taxation officer's duties under the said provisions, come to the taxation officer's knowledge; or
 - b) Permits any other person to take access to records in the possession or custody of the Authority, except in the exercise of the taxation office's powers or the performance of the officer's duties under this proclamation or by order of a court;

Commits an offence and is liable on conviction to a fine of not less than 10,000 Birr and to imprisonment for a term of not less than two (2) years and not more than five (5) years.

3. Nothing in this Article shall prevent a taxation officer from disclosing-
 - a) any document or information to-
 - I. Any person where the disclosure is necessary for the purposes of this Proclamation or any other fiscal law;
 - II. The Auditor-General where the disclosure is necessary for the performance of duties entrusted to it by law;



Federal Inland Revenue Authority

- III. The competent authority of the government of another country with which Ethiopia has entered into an agreement for the avoidance of double taxation or for the exchange of information, to the extent permitted under the agreement;
 - IV. The Ethics and Anti-Corruption commission where the disclosure is necessary for the performance of duties entrusted to it by law.
 - V. A law enforcement agency not described above where the Minister of Revenue issues written authorization to make disclosures necessary for the enforcement of the laws under the agency's authority; or
- b) Information, which does not identify a specific person to any person in the service of the State in a revenue or statistical department where such disclosure is necessary for the performance of the person's official duties.

54. Unauthorized VAT collection

Any person not authorized to collect tax under this proclamation who 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 (5) five years and not more than (10) ten years.

55. Aiding or Abetting

A person, who aids, abets, insights, or conspires with another person to commit a violation of this Proclamation also commit a violation of this proclamation. That person may be subject to prosecution and, On conviction, to a fine and imprisonment, not in excess of the amount of fine or period of imprisonment provided for the offence aided or abetted.

56. Offences by Entities

1. Subject to Sub-Article (3), where an entity commits an offence, every person who is a manager of that entity at that time is treated as having committed the offence and is liable to a penalty under this Proclamation.
2. Subject to Sub-Article (3), 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 was manager of the entity at that time or was a manager within 6 (six) months prior to the date of commission is jointly and severally liable with that entity and that other person to the authority for the amount.
3. Sub-Articles (1) and (2) do not apply where,



Federal Inland Revenue Authority

- a) The offence is committed without that person's knowledge or consent; and
 - b) That 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. 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 company, 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.

57. Offences by Receivers

1. A person who fails to comply with the requirements of Article (36), Sub-Article (4) commits an offence and is liable on conviction to a fine of 5,000 Birr and to imprisonment for (1) one year.
2. Where a person is convicted of an offence under Sub-Article (1) for failing to set aside an amount as required under Sub-Article (4) of Article (36), the court may, in addition to imposing a fine and prison sentence, order the convicted person to pay, to the Authority, an amount not exceeding the amount which the person failed to set aside.

58. Improper Tax Debit and tax Credit Notes

1. A registered person who fails to provide a tax credit note or tax debit note as required by this Proclamation, commits an offence and is liable on conviction, to a fine of 10, 000 Birr and to imprisonment for (1) one year.
2. A person who provides a tax credit note or tax debit note otherwise than as provided for in this Proclamation commits an offence and is liable on conviction,
 - a) Where the failure was made knowingly or recklessly, to a fine of 20,000 Birr to imprisonment for (3) three years; or
 - b) In any other case, to a fine 10,000 Birr and to imprisonment for (1) one year.



Federal Inland Revenue Authority

59. Publication of Names

1. The Authority shall from time to time publish by notice in the Gazette a list of persons who have been convicted of offences under any of the Articles (48) to (58).
2. Every list published in terms of Sub-Article (1) shall specify--
 - a) The name, address, and principal enterprise of the person;
 - b) Such particulars of the offence as the Authority may thin 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.



Federal Inland Revenue Authority

SECTION THIRTEEN

Miscellaneous Provisions

60. Schemes for obtaining Tax Benefits

1. In this Article:

"Scheme" includes an agreement, arrangement, promise, or undertaking whether express or implied and whether or not enforceable, or intended to be enforceable, by legal proceedings, and any plan, proposal, course of action, or course of conduct; and "tax benefit" includes

- a) a reduction in the liability of any person to pay tax;
 - b) an increase in the entitlement of a person to an amount of tax creditable under Article (21) or to a refund of tax; or
 - c) Any other avoidance or postponement of liability for the payment of tax.
2. Notwithstanding anything in this Proclamation, if the Authority is satisfied that a scheme has been entered into or carried out where-
- a) a person has obtained a tax benefit in connection with the scheme; and
 - b) having regard to the substance of the scheme, it could be concluded that the person, or one of the persons, who entered into or carried out the scheme, did so for the sole or dominant purpose of enabling the person to obtain the tax benefit, the Authority may determine the liability of the person who has obtained the tax benefit and of any other person related with the scheme as if the scheme had not been entered into or carried out, or in such manner as in the circumstances the Authority considers appropriate for the prevention or reduction of the tax benefit

61. Currency Conversion

1. For purpose of this Proclamation, all amounts of money are to be expressed in Birr.
2. Where an amount is expressed in a currency other than Birr,
 - a) In the case of imports, the amount shall be converted at the exchange rate as determined under the customs legislation of Ethiopia: or
 - b) In all other cases, the amount shall be converted at the exchange rate that applies between the currency and the Birr at the time the amount is taken into account under this



Federal Inland Revenue Authority

Proclamation.

62. Registration of Goods

Where any form of registration is required under any law in respect of goods, no registering authority responsible for such registration under such law shall effect such registration upon change of ownership or importation into Ethiopia of the registerable goods unless the person applying for registration produces to such registering authority:

- a) A customs declaration showing that tax which is payable under this proclamation has been paid in respect of the import of the goods into Ethiopia, or a Customs document showing that no tax is payable under the Proclamation in respect of such importation of the registerable goods in consequence of which the registration is required; or
- b) A declaration, in such form as the Authority may prescribe, issued by any registered person who supplied such goods in consequence of which the registration is required, certifying that the tax payable under this Proclamation has been, or will be, paid by such person: or
- c) A certificate issued by the Authority, to the effect that the supply or import of the registerable goods was an exempt supply or exempt import.

63. Transitional Provision

1. A registered person who, within 6 months prior to the coming into force of this proclamation, has goods taxed as per the previous law at his disposal, shall be entitled to a tax benefit under Article (21) of this Proclamation:
2. The manner in which the credit granted under this Article is to be applied shall be determined by Regulations to be issued by the Council of Ministers.

64. Directives and Regulations

The Council of Ministers shall issue regulations for the proper interpretation of this Proclamation or for the carrying out of any powers delegated to it under this Proclamation and the Minister of Finance and Economic Development shall issue directives for the proper implementation of this Proclamation.



Federal Inland Revenue Authority

65. Repeal

1. The Sales and Excise Tax Proclamation No.68/93 (as amended) shall be rescinded as from the day on which this Proclamation becomes of full force and effect.
2. Tax payable under the Sales and Excise Tax Proclamation but unpaid until the day this Proclamation comes into force shall continue to be collected pursuant to said Proclamation.

66. Entry into Force

This Proclamation shall come into force as of the 1st day of January 2003.

Done at Addis Ababa this 4th day of July 2002.