

**ETHIOPIA**

# **AGRICULTURAL INCOME TAX PROCLAMATION NO. 77 OF 1976**

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## **A Proclamation to Provide for the Rural Land Use Payment and Agricultural Activities Income Tax**

Amended by Proclamation 152 of 1978

### **CHAPTER I. INTRODUCTION**

#### **1. Short Title**

This Proclamation may be cited as the "Rural Land Use Fee and Agricultural Activities Income Tax Proclamation No. 77/1976".

#### **2. Definition**

In this Proclamation, unless the context otherwise requires:

- 1) "Proclamation" shall mean the Public ownership of Rural Lands Proclamation No. 31/1975.
- 2) "Rural land" shall mean all land outside the boundaries of a municipality or town.
- 3) "Farmer" shall mean any individual farmer or one who farms land in common with others, any private organization or association or any government agricultural organization other than agricultural research station, having legal personality and carrying on agricultural activities.
- 4) "Fee" shall mean fee payable for rural land use.
- 5) "Local peasant association" shall mean the association.
- 6) "Judicial tribunal" shall mean the tribunal established within the area defined under [Article 8](#) of the Proclamation.
- 7) "Tax office" shall mean the Inland Revenue Agency of the Ministry of Finance, and any Provincial, Awraja, or Woreda income tax office, as well as any other office which the Inland Revenue Agency may authorize in writing to implement this Proclamation.
- 8) "Tax collector" shall mean any peasant association or any person authorized by the Inland Revenue Agency to collect fees and agricultural income tax.
- 9) "Agricultural activities" shall mean the cultivation or development of rural land by any means and with the aid of any implement, regardless of whether or not the farmer processes it further by industrial means, the harvesting of crops as well as the breeding of livestock on such land, but excluding the following:
  - a) the exploitation of woods and forests for wood lumbering purposes;
  - b) the processing of agricultural crops by natural or juridical persons other than the farmer who produced such crops;
  - c) other activities relating to agricultural, forestry, breeding cattle or maintaining pasture land in cases where said activities shall be deemed to be registered as commercial activities and pursued or conducted by a trader or a business organization, in accordance with the provisions of the [Commercial Code](#) of Ethiopia, and where the same is the principal activity; and
  - d) notwithstanding the Cattle Tax Proclamation No. 142 of 1954, breeding animals for domestic use.
- 10) "Taxable income" shall mean income derived from agricultural activities after the expenses indicated

under [Article 24](#) hereunder are deducted.

11) "Agricultural income" shall mean the total income earned or deemed to be earned by a farmer within any one year before any deductions provided under [Article 24](#) hereunder are made.

12) "Income tax" shall mean tax payable on income from agricultural activities.

13) "Minister" shall mean the Minister of Finance.

14) "Ministry" shall mean the Ministry of Finance.

### **3. Repealed Laws**

The following laws are repealed:

1) the Land Tax Proclamation, No. 70/1944 (as amended) and Legal Notice No. 257/1962 (as amended);

2) the Educational Tax Proclamation No. 94/1947;

3) the Health Tax Decree No. 37/1959, and

4) the provisions of the Income Tax (Amendment) Proclamation No. 255/1967, relating to the payment of agricultural income tax and regulations concerning the assessment of income from agricultural activity issued thereunder.

## **CHAPTER II. RURAL LAND USE FEE**

### **4. Obligation**

Every farmer is hereby obliged to pay rural land use fee to the Government in accordance with this Proclamation as of 1968 E.C.

### **5. Submission of Farmers' List**

At the coming into force of this Proclamation, every agricultural commune, or producers cooperative, peasant association or any person authorized to implement this Proclamation shall annually submit the list of farmers residing within its or his area to the nearest tax office before the 30th of Tikimt.

### **6. Registration of Holding**

Every Government agricultural organization engaged in agricultural activity shall annually declare the size of its holding in hectares to the nearest tax office before the 30th of Tikimt.

### **7. Registration of Farmers' List**

1) Upon receiving information under [Article 5](#), the tax office shall register separately the list of farmers under agricultural commune, peasant association and other authorized person that submitted the report.

2) Upon receiving information under [Article 6](#), the tax office shall register in hectares the size of holdings of each organization.

### **8. Rate of Fee**

1) Every farmer who is a member of an agricultural commune shall pay Birr 5.00.

2) A farmer who is not a member of an agricultural commune shall pay Birr 10.00.

3) Every Government agricultural organization shall pay Birr 2.00 per hectare on the total of its holdings.

## **9. Ascertainment of Holdings**

Where any tax office or authorized agent finds it necessary for the enforcement of this proclamation it may without court order, ascertain the size of holdings of any organization mentioned under [article 6](#) hereinabove, in accordance with the direction to be issued by Inland Revenue Agency.

## **10. Collection of Fees**

1) Fees shall be collected every year between the 1st of Tahsas and 30th of Miazia.

2) Fees from:

(a) government agricultural organizations and farmers whose annual agricultural income exceeds Birr 1,200.00 shall be collected by the tax office;

(b) individual farmers whose annual agricultural income is below Birr 1,200.00 and members of agricultural communes shall be collected by the local tax collector.

## **11. Submissions of Fees Collected**

Each tax collector shall, in accordance with the directives to be issued by the Ministry, submit the fees it has collected under [article 10\(2\)\(b\)](#), the list of payers and the receipt, to the nearest tax office before the 30th of Miazia each year.

# **CHAPTER III. TAX ON INCOME FROM AGRICULTURAL ACTIVITIES**

## **12. Tax Payable on Income from Agricultural Activities**

Income tax shall be payable on any income derived from agricultural activities as of the 1968 (E.C.) fiscal year.

## **13. Declaration of Income**

Each farmer shall declare in the form to be issued by the Inland Revenue Agency the annual gross income he or it has realized or would realize from agricultural activities and pay forthwith the tax to the nearest tax collector or tax office between the 1st of Tahsas and the 30th of Miazia or 30 days from the date he or it realized the income within the range of time preceding; provided that in case the farmer realizes the said income before the 1st of Tahsas he or it shall pay the tax within 30 days from such date.

## **14. Registration of Farmers by the Tax Collector**

Based on the annual declaration submitted to it or him in accordance with [Art. 13](#) above, every tax collector shall categorize and register individual farmers and those who are members of agricultural communes whose annual gross income falls within the following brackets:

- 1) up to Birr 600.00;
- 2) over Birr 600.00 but not exceeding Birr 900.00;
- 3) over Birr 900.00 but not exceeding Birr 1,200.00;
- 4) exceeding Birr 1,200.00.

## **15. Assessment of Income from Agricultural Activities**

1) Income from agricultural activities shall, in principle, be determined by estimating the price of the crop before harvest. If the crop is sold, however, the price declared by the association or the farmer himself shall be the basis of determination. If the price declared appears to be doubtful, the tax office or the tax collector may assess the income by estimation unless the sale was made in good faith, and such price is backed by documentary or other evidence to be the market price on the date of the sale of the crop involved.

2) The Inland Revenue Agency may, from time to time, issue guidelines regarding matters stated under sub-article (1) of this Article, as may be necessary.

## **16. Details to be Submitted by Tax Collector**

1) Every tax collector shall submit to the tax office:

a) a declaration of the annual gross agricultural produce realized or that would be realized from the agricultural activities by an agricultural commune and the share due in cash or in kind to each member farmer; and

b) in case where the agricultural harvest, produce or income of an agricultural producer other than an agricultural commune is to be shared directly among individual farmers or in the case of an individual agricultural activity, a declaration showing the gross income due in cash or kind to each farmer.

2) Every income declaration mentioned under sub-article (1) of this article shall contain details regarding every type of crop or activity for farming or breeding or grazing animals or the income from agricultural activity assessed by estimation, on the basis of the seed of the crop or harvest the income to be realized, the amount and type of harvest and the local market price of each kind of crop and the price of the total harvest.

3) The tax collector who is obliged under this Article to submit details of annual income shall prepare conscientiously and submit to the tax office the activities of each individual farmer and the commune and the gross income of the members of the latter.

4) The tax collector shall be accountable to the tax officer for the accuracy of the details it has submitted.

## **17. Rate of Tax Payable to Tax Collector**

Any farmer whose annual income from agricultural activities:

1) does not exceed six hundred Birr shall pay 3.00 Birr;

2) is over six hundred Birr but does not exceed nine hundred Birr shall pay 4.50 Birr;

3) is over nine hundred Birr but does not exceed one thousand two hundred Birr shall pay 6.00 Birr to the tax collector.

## **18. Duty to Submit the Tax Collected to the Tax Office**

Each tax collector shall deliver, in compliance with the directives to be issued by the Ministry, the tax collected, copies of the receipts and the declarations of income to the nearest tax office within 30 days of the date the tax is collected from each taxpayer.

## **19. Duration of Tax Assessed by Estimation**

1) Unless otherwise provided by regulations issued by the Minister the tax assessed by estimation on the gross annual income which is not more than Birr 1,200 shall be valid for a period of three consecutive years; and the

tax so assessed shall be paid annually.

2) Notwithstanding the provisions of sub-art. (1) of this Article to the contrary, if the farmer has sustained loss of harvest due to difficulties in connection with or damage to his agricultural activity he shall notify the same to the nearest tax office which shall relieve him from paying the tax in proportion to the loss sustained after verifying the accuracy of the application.

## **20. Farmers Whose Yearly Income is Over Birr 1,200.00**

The tax collector shall collect a partial payment of Birr 6.00 on account from any farmer whose income from agricultural activities is estimated to be over Birr 1,200.00 and shall after explaining to the farmer that he would have to pay the balance, submit the income declaration with the tax collected to the nearest tax office.

## **21. Income and Tax to be Assessed by the Tax Office**

1) The tax office shall assess and collect taxes on income from agricultural activities of any farmer whose annual income therefrom is over Birr 1,200.00 but not exceeding Birr 6,000.00.

2) The tax office shall assess and collect tax on income from agricultural activities on the basis of books of accounts from any taxpayer who is required to keep books of account by law; if no books of account are kept, or if the books of account and supporting documents or income declaration are unacceptable by the income tax office on the ground that they are not satisfactory or if the taxpayer fails to declare his or its income within the time specified under [Article 13](#) above, the tax office shall assess the income by estimation and impose the tax.

## **22. Maintaining Accounts**

A farmer who derives an income of more than six thousand Birr annually from his agricultural activities shall keep books of account and supporting documents in accordance with the directives to be issued by the tax office.

## **23. Aggregation of Income**

The tax office may order the concerned taxpayer or the tax collector who is responsible for the collection of taxes in the locality where the taxpayer resides to declare in the manner it may consider proper income realized or deemed to be realized from two or more agricultural activities, seasonal, irrigation and communal agricultural activities and which is subject to tax under this proclamation.

## **24. Deductible Expenses**

1) In cases where the taxpayer or the tax collector declares an annual income which is over one thousand and two hundred Birr, he or it may demand that the following items be deducted wholly or partially from the gross income when the taxable income is being assessed:

a) any fee;

b) all expenses which are necessary and have been incurred specially and directly for the realization of the annual income; and

c) depreciations of movable and immovable fixed assets used in the agricultural activity to be deducted in accordance with the Income Tax Regulations No. 258/1962 or Regulations to be issued by the Minister.

2) The tax office may not accept the income declaration, books of account and supporting documents or expenses demanded to be deducted from the gross income, unless they are supported by satisfactory evidence.

## 25. Rate of Tax on Annual Income Which is More than One Thousand Two Hundred Birr

If the tax office determines that the expenses submitted in accordance with [Article 24](#) hereinabove are to be deducted it shall deduct the said expenses and impose the tax on the remaining income as follows:

1) Government agricultural farms or body corporate, at the rate of 50% of the taxable income.

2) Without prejudice to the tax payable on income not exceeding 1,200 Birr by individual farmers or farmers in agricultural commune under [Art. 17](#) hereinabove, additional tax on income exceeding 1,200 Birr shall be payable at the following rates:

Annual Taxable Income (Birr)	Tax Rate Payable on every additional income (%)
Over 1,200 but not exceeding 3,000	10
Over 3,000 but not exceeding 6,000	15
Over 6,000 but not exceeding 9,000	20
Over 9,000 but not exceeding 12,000	25
Over 12,000 but not exceeding 15,000	30
Over 15,000 but not exceeding 18,000	35
Over 18,000 but not exceeding 21,000	40
Over 21,000 but not exceeding 27,000	50
Over 27,000 but not exceeding 33,000	60
Over 33,000	70

## 26. Prescription Period

1) If a taxpayer has submitted a declaration of income from his or its agricultural activities to the tax collector or tax office but does not receive within a period of five years from the date of the submission of the declaration, a notice of tax assessment different from the tax declared, the taxable income declared shall be deemed approved, and the tax imposed on such income shall be final.

2) The provisions of sub. art. (1) of this article shall not prohibit the tax office from assessing and collecting the tax at any time it discovers incomes which the taxpayer has suppressed and has not set forth in his declaration of income.

## 27. Right of Taxpayer

1) Upon the request of any taxpayer whose annual gross income is above one thousand two hundred Birr, the tax office shall in the manner it considers fit, provide him with explanations concerning the derivation of the following accounts:

a) the taxable income;



b) the amount of income tax payable pursuant to the tax rate scheduled under [Art. 25](#) of this Proclamation; and

c) the penalty imposed.

2) If any taxpayer referred to under sub-article (1) of this article has objection to the assessment made he or it has the right to submit appeal to the Woreda tax appeal committee within 30 days from the date of notification of the assessment.

## **28. Deposit**

The taxpayer referred to under [Article 27](#) shall not submit his or its appeal to the Woreda tax appeal committee unless he or it:

1) has deposited with the tax office 75% of the income tax assessed, and

2) presents evidence that he or it has paid the fee, before the end of the prescribed period for appeal.

## **29. Woreda Tax Appeal Committee**

1) Each Woreda administrator shall establish one or more Woreda tax appeal committees, as may be necessary hereinafter referred to as, the "committee" which shall hear appeals submitted in accordance with [Article 27](#) (2) of this proclamation.

2) Each committee shall have the following five members all of whom shall be from the Revolutionary Woreda Administrative and Development committee:

a) the Woreda Administrator or his representative - Chairman

b) the Woreda Peasant Association Chairman or his representative - Member

c) the Woreda representative of the Ministry of Agriculture and Forestry - Member

d) two members selected by the Woreda Administrator - Members.

3) The Woreda Administrator shall provide the committee with a secretary.

4) The Committee shall record the appeal and supporting documents and also the reasons and defence presented by the tax office, and shall give an impartial decision in writing.

5) The Chairman, the Woreda Peasant Association Chairman and the Woreda representative of the Ministry of Agriculture and Forestry, if present, shall form the quorum. Where the representative of the Ministry of Agriculture and Forestry is not present, any one of those referred to under sub-art. 2 (d) of this Article shall substitute him to form the quorum.

6) The Committee shall give all its decisions by majority vote.

## **30. Appeal**

1) Every taxpayer shall along with his appeal, present to the committee's secretary receipts showing that he has made the deposits and paid the fee referred to under [Article 28](#). The date upon which the secretary of the committee has received the same shall be deemed to be the date on which the appeal is instituted.

2) The secretary shall open and present the appeal before the committee as soon as he makes sure that the provisions of sub-article (1) of this Article are complied with.

### **31. Burden of Proof**

In cases where the tax is assessed by estimation:

- 1) the appellant shall give reasons for his objection to the assessment made by the tax office;
- 2) the burden of proof shall shift to the tax office which shall then explain that:
  - a) no books of account or other documents were submitted to it, or
  - b) books or documents were submitted but were rejected on grounds that they were inadequate or incomplete or unreliable in light of the guide-line issued by it, or
  - c) the tax so assessed by estimation was made conscientiously and reasonable after the appellant's agricultural activities or conditions and living standard were carefully examined and all appropriate investigations carried out.

### **32. Books of Accounts not Submitted in Time**

1) A taxpayer may be allowed to present books of account and supporting documents as evidence where he can satisfy the committee or the court, while his appeal is pending, that it was true that the books of account and supporting documents were lost or could not be found at the time of estimation and that the same are now found.

2) The committee or the court shall make the taxpayer pay a penalty not less than 10% and not exceeding 25% of the final tax payable as compensation for the expense the tax office has incurred because of the litigation.

### **33. Decision of the Committee**

1) The committee shall decide all cases appearing before it in the shortest possible time.

2) The committee shall give a copy of its decision to both parties.

3) The decision of the committee shall be final unless appeal is made to the Awraja court within 30 days from the date of receipt of the decision. Accordingly, the taxpayer shall be refunded only the excess of payment he has made, if any; or he shall pay forthwith the additional sum where he has made underpayment.

### **34. Appeal against the Decision of the Committee**

1) Where any party is dissatisfied with the decision of the committee on grounds that it is erroneous on interpretation of law, he or it may appeal to the Awraja court within 30 days from the date of receipt of the decision of the committee after paying the tax due in full as decided by the committee.

2) The appellant shall deliver a copy of the appeal to the other party and to the committee which decided the case.

### **35. Decision of the Court of Appeal**

When the court of appeal finds error in the interpretation of the law, it shall only make correction regarding the same and return the case to the committee against whose decision the appeal was made. The decision of the

appellate court shall be final.

## **CHAPTER IV. GENERAL PROVISIONS**

### **36. Publicizing the Proclamation**

The Inland Revenue Agency shall be responsible to publicize the spirit and objectives of this Proclamation.

### **37. Authority to Waive Penalty**

1) When any farmer requests for waiver of the penalty imposed upon him in accordance with the Proclamation as a result of his failure to declare his income or to pay the fee or income tax within the period fixed by law or to maintain books of account when he is required to do so by law, the Inland Revenue Agency may, if it is satisfied that the failure was not intentional or out of negligence but was because of difficulties, waive the penalty in whole or in part, provided that the case has not been decided by a committee or court.

2) The Inland Revenue Agency may delegate to subordinate tax offices its authority under sub-article (1) of this Article.

### **38. Special Responsibility**

Where any tax collector, due to incapability or negligence or any other reason, fails to collect the fee and/or income tax payable in accordance with this Proclamation, the appropriate tax office may at any time directly take measures which it considers proper for the collection of the fee and the tax.

### **39. Penalties**

1) Any farmer who, within the period specified by law, fails to pay the income tax or fee imposed on him in accordance with this Proclamation, shall pay a penalty of 25% of the amount of tax overdue in respect of every month during which payment is in default or the same rate being prorated over the days of the month, up to a maximum penalty of 50% for a period not exceeding two months.

2) If any taxpayer who is required to maintain books of account and supporting documents by regulations issued by the Minister, fails to produce the same within the period specified by law, he or it shall pay a penalty of 20% of the income tax due from him.

3) Any taxpayer who fails to declare his or its annual gross income which he or it derived from his or its agricultural activities to the tax collector or tax office up to Miazia 30 of every year shall pay penalty at the rate as specified under sub-article (1) of this Article on his or its income.

### **40. Simulation of Penalty as Tax**

Any type of penalty imposed in accordance with [Article 39](#) hereinabove shall be considered as an integral part of the fee or income tax due from the taxpayer and shall be collected accordingly.

### **41. Execution Proceedings**

Subject to the provisions of [Article 39](#) of this Proclamation, any farmer who fails to pay in whole or in part the income tax or fee due within the period specified by law, shall at any time as of the due date:

1) first, be sued by the tax collector before the local judicial tribunal and shall be made to pay the arrears within 15 days from the date of the institution of proceedings with the penalty thereon. Where the taxpayer fails to pay his debt within 10 days from the date of decision of the local judicial tribunal, execution proceedings shall

be instituted in the nearest Woreda Court. The Court shall immediately give execution order in accordance with the Civil Procedure Code.

#### **42. Receipts**

Every taxpayer shall be given receipt by the tax collector or tax office which has received from him or it the fee and the income tax which he or it has paid in accordance with this Proclamation.

#### **43. Offences**

Any legal or natural person who violates this Proclamation or regulations issued pursuant to this Proclamation shall be punishable in accordance with the penal code.

#### **44. Remuneration of Services**

Every tax collector shall be paid 2% of the collection he or it has made.

#### **45. Special Power**

The Minister may order, for a satisfactory reason or evidence, that the fee or the income tax assessed in accordance with this proclamation shall be waived in whole or in part in favour of any farmer. Provided that if he finds it necessary he may delegate this power to the head of the Inland Revenue Agency with affecting his right to revoke the same.

#### **46 Power of the Minister**

1) Notwithstanding the provisions of [Articles 5](#) and [6](#). Registration of Holding. of this Proclamation, the Minister may, if he deems it appropriate, alter the period within which the list of farmers and the size of holdings of state farms is to be submitted to the tax office.

2) On the basis of the report from the Inland Revenue Agency and the concerned Provincial Revolutionary Administrative and Development Committee that damage has been caused to the produce of all or some farmers of one or more Woredas due to natural disaster or force majeure, the minister shall submit the case to the Council of Ministers for decision.

3) The Minister may issue regulations for the better carrying out of the provisions of this Proclamation.

#### **47. Effective Date**

This Proclamation shall come into force as of the fiscal year of 1968 E.C.