

ETHIOPIA

INCOME TAX LAW Proclamation No. 173 of 1961

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(Amended by Proclamation 242/66 (Investment Proclamation, 1966); Proclamation 255/67 (Income Tax (Amendment) Proclamation, 1966); Corrigendum No. 65 of 1967; Income Tax (Amendment) Proclamation No. 65/1975; Proclamation 77/76 (Rural Land Use Fee and Agricultural Activities Income Tax Proclamation No. 77/1976); Income Tax Amendment Proclamation No. 155/1978; Income Tax (Amendment) Proclamation No. 196/1980; Income Tax Proclamation Amendment Council of State Special Decree No. 18/1990; Income Tax Proclamation Amendment No. 30/1992; Income Tax Proclamation Amendment Proclamation No. 62/1993); Income Tax Proclamation Amendment No. 107/1994; **Income Tax (Amendment) Proclamation No. 36/1996 published May 14, 1996.**

IMPORTANT NOTE: In addition to and in lieu of the Income Tax Law, the following tax laws govern the activities indicated: Agriculture - Rural Land Use Fee and Agricultural Activities Income Tax [Proclamation No. 77/1976](#); Mining - Mining Income Tax [Proclamation No. 53/1993](#); Petroleum - Petroleum Operations Income Tax [Proclamation No. 296/1986](#).

In accordance with Articles 34 and 88 of Our Revised Constitution: We approve the resolutions of our Senate and Chamber of Deputies and; We hereby proclaim as follows:

1. Short Title

This Proclamation may be cited as the "Income Tax Proclamation, 1961".

2. Repeals

Except as is required by the provisions of [Article 73](#) hereof the Income Tax Decree, 1956 (Decree No. 19 of 1956) and the Income Tax (Amendment) Decree, 1959 (Decree No. 34 of 1959) are hereby rescinded and replaced by this Proclamation.

I. DEFINITIONS

3. Interpretation

In this Proclamation, unless the context otherwise requires:

a. (Amended by Proclamation 155/78)

(1) "Organization" shall mean any government or privately owned juridical person or association that carries out business activities excluding cooperative society;

(2) "Cooperative society" shall mean any association organized under the Cooperative Societies Proclamation.

b. "Person" means any natural person, and all forms of associations, including partnerships, but

excluding incorporated bodies with limited liability;

c. "Business" means any industrial, commercial, banking, transport, or mining activity pursued by any person or body, as well as any person or body carrying on any of such activities;

d. (Amended by Proclamation 255/67) "Agricultural activities" or "activities for agricultural purposes" means the cultivation and/or development of land and/or the harvesting of any crop from land and shall include the raising and breeding of livestock on such land but shall not include:

(i) the exploitation of woods and forests for lumbering purposes,

(ii) the processing or transforming of agricultural products,

(iii) other activities relating to agricultural, forestry, breeding cattle or maintaining pasture land in cases where said activities, in accordance with the provisions of the [Commercial Code](#) of the Empire of Ethiopia of 1960 shall be considered as pursued by traders or by business organizations of a commercial nature, and

(iv) notwithstanding Proclamation No. 142 of 1954, cattle breeding activities pursued by persons not engaged in trading and income derived therefrom.

e. "Income" means every sort of revenue, from whatever source derived and in whatever form paid, credited or received, which has its origin within Ethiopia, irrespective of whether it is paid credited or received within or without Ethiopia;

f. "Gross income" means the total of all income received by any taxpayer before any deductions which may be authorized hereunder;

g. "Taxable income" means the amount of income, calculated in accordance with the provisions of this Proclamation and regulations issued hereunder on which income tax shall be charged, levied, and collected;

h. "Taxpayer" means any person or body receiving income and liable to pay tax hereunder.

II. LEVYING OF TAX

4.

(Amended by Proclamation 155/78 and Proclamation 62/93)

Subject to the provisions of this Proclamation every person or organization having income shall pay income tax thereon. The tax shall be charged, levied and collected as provided hereunder:

a) on income from employment: under [Articles 7, Art. 8. \(Income Tax Proclamation\)](#) and [Art. 9. \(Income Tax Proclamation\)](#) hereof ([Schedule A](#));

b) without prejudice to the Rural Land Use Fee and Agricultural Activities Income Tax [Proclamation No. 77/1976](#) (as amended), on income from all other source not specifically mentioned in paragraphs a, c, d, e and f of this Article: under [Article 12](#) through [17](#) inclusive hereof ([Schedule C](#));

c) income from dividends to shareholders: under [Art. 17](#) (a) of this Proclamation;

d) income from chance winnings: under [Art. 17](#) (b) of this Proclamation;

e) income from royalty: under [Art. 17](#) (c) of this Proclamation;

f) income from services rendered to persons or organizations in Ethiopia by persons or organizations from abroad: under [Art. 17](#) (d) of this Proclamation.

g) (Amended by Proclamation 62/93) on income from buildings in any manner leased under [Article 10](#) and [Art. 11](#) of this Proclamation.

5.

(Amended by Proclamation 255/67)

Income tax shall be calculated separately for the schedules referred to in [Article 4](#) hereof, and shall be charged, levied, collected and paid on the aggregate amount of taxable income chargeable under each of said separate Schedules.

6.

If any income or part thereof is received in the form of a benefit in kind, the valuation of said benefit in kind shall be approved by the Income Tax Authority.

III. SCHEDULE A

7.

(a) The tax on income from employment shall be charged, levied and collected monthly and shall be imposed on the taxable income of the preceding month at the rates specified in this Article 7; provided, however that where such income is received in the form of a payment covering a period longer than one (1) month, the tax payable shall be computed by prorating the income received over the number of months covered by such payment.

(b) (Amended by Proclamation No. 107/94)

(1) The first one hundred twenty Birr (Birr 105) income from employment shall be exempt from payment of income tax in all cases.

(2) The tax on income from employment over one hundred twenty Birr (Birr 120) shall be charged, levied and collected monthly according to the following Schedule A.

SCHEDULE A

Taxable monthly Income (in Birr)	Rate of Tax (%) on Every Additional Income
Over 120 but not exceeding 600 on the next 480	10%
Over 600 but not exceeding 1,200 on the next 600	15%
Over 1,200 but not exceeding 2,000 on the next 800	20%
Over 2,000 but not exceeding 3,000 on the next 1,000	30%
Over 3,000	40%

8.

Taxable income from employment shall include all payments in cash and all benefits in kind unless our Minister of Finance shall by regulations exclude certain categories of payments in cash or benefits in kind from income from employment.

9.

Income attributable to the months of Nahase and Puguma shall be aggregated and treated as the income of one (1) month.

IV. SCHEDULE B

10.

(Amended by Proclamation 62/93)

(1) The tax on income from sources mentioned in [Article 4\(g\)](#) shall be charged, levied and paid annually. Unless the appropriate tax authority allows the use of a different accounting year, the tax shall be levied on the taxable income of the preceding accounting year which correspond to the Ethiopian fiscal year.

(2) The tax payable under this Article shall be charged, levied and collected at the following rates:

- a) On income of organizations and associations having legal personality 35% of taxable income.
- b) On income of persons according to schedule B hereunder.

SCHEDULE B

Annual Taxable Income (In Birr)	Tax rate on every Additional Income (%)
Up to 1,200	Exempt
from 1,201 up to 6,000	10
from 6,001 up to 12,500	15
from 12,501 up to 21,500	21
from 21,501 up to 33,500	28
from 33,501 up to 50,000	36
over 50,000	45

11.

(Amended by Proclamation 62/93)

(1) The tax payable on income from sources mentioned in [Article 4\(g\)](#) shall be computed as indicated hereunder:

a) if the taxpayer lease further quarters, amounts received attributable to the lease of furniture and equipment shall be included as gross income;

b) sub-lessors shall pay the tax on the difference of income earned from sub-leasing;

c) the following amounts shall be deducted from gross income in computing taxable income:

1) taxes paid with respect to the land and buildings being leased, except income taxes; and

2) for taxpayers not maintaining books of account one fifth (1/5) of the gross income received as rent for buildings furniture and equipment as an allowance for repairs, maintenance and depreciation of such buildings, furniture and equipment;

3) for taxpayers maintaining books of account an allowance for repairs, maintenance and depreciation for buildings furniture and equipment in accordance with their books of account and the regulation

issued under this Proclamation.

(2) The owner of a building who allows a person, leasing his building for residence, to sub-lease same shall have the responsibility to obtain a guarantee from the sub-lessor for the payment of the tax mentioned under sub-article 1(b) of this Article.

V. SCHEDULE C

12.

(a) (Amended by Proclamation 255/67) The tax on income from sources mentioned in paragraph (c) of [Article 4](#) hereof shall be charged, levied, collected and paid annually and shall be imposed on taxable income of the preceding accounting year which shall, in principle, correspond to the Ethiopian fiscal year; provided, however, that the Income Tax Authority may, at its discretion, allow the use of a different accounting year.

(b) (Amended by Proclamation No. 107/1994) The tax payable in accordance with this Article 12 (Schedule C) shall be charged, levied and collected as follows; provided that tax on income from mining by a licence holder shall be charged, levied and collected in accordance with the Mining Income Tax [Proclamation No. 52/1993](#):

Schedule C

Taxable Income Per AnnumTax	Rate on Every
In Birr	Additional Income (%)
Not exceeding 1,200	Nil
Over 1,200 but not exceeding 6,000 on the next 4,800	10%
Over 6,000 but not exceeding 15,600 on the next 9,600	15%
Over 15,600 but not exceeding 30,000 on the next 14,400	20%
Over 30,000 but not exceeding 50,000 on the next 20,000	30%
Over 50,000	40%

(c) (Amended by Proclamation 36/1996, published May 14, 1996, effective July 8, 1995) Any organization shall pay 35% of income tax on its taxable income. However, tax on income from mining by an organization shall be charged, levied and collected in accordance with the [Mining Income Tax Proclamation](#).

(d) (Amended by Proclamation 155/78) Any person or organization, who derives income from casual rental of property, shall pay income tax according to Schedule C.

13.

Repealed by Proclamation 155/78

14.

Repealed by Proclamation 155/78

15.

(a) (Amended by Proclamation 255/67) Taxable income from sources mentioned in paragraph (c) of [Article 4](#) hereof shall be calculated in accordance with regulations issued by our Minister of Finance in pursuance of the Principal Proclamation.

(b) Our Minister of Finance is empowered to issue regulations establishing rates of depreciation of assets including, without limitation, buildings, machinery, furniture, motor vehicles and the like, for the purpose of calculating taxable income.

16.

(Amended by Proclamation 255/67)

In calculating taxable income from sources mentioned in paragraph (c) of [Article 4](#) hereof all expenses wholly, necessarily and exclusively paid or incurred for the purposes of creating income shall be deductible from gross income.

17.

(Amended by Proclamation 255/67 and Proclamation 155/78)

Interest paid on any sum received as a loan, whether or not so designated for use in any activity mentioned in paragraph (c) of [Article 4](#) hereof shall not be deductible is received from credit institutions approved by Our Minister of Finance and subject to the conditions which shall be determined by regulations issued by said Minister.

(a) 25% income tax shall be paid on dividends to shareholders.

(b) (i) 10% income tax shall be paid on income over Birr 100 from chance winnings and tot.

(ii) If the prize is in kind it shall be assessed in terms of cash and the tax shall be calculated in accordance with sub-article (b) (i) of this Article.

(c) 40% income tax shall be paid on income derived from royalties.

(d) 10% income tax shall be paid on income derived from service rendered to any person or organization or cooperative society in Ethiopia by any person or organization from abroad.

V.A. SCHEDULE D

This entire Section, consisting of Articles 17A - 17H, has been superseded by the Rural Land Use Fee and Agricultural Activities Income Tax [Proclamation No. 77 of 1976](#).

VI. EXEMPTION

18.

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

(a) Repealed by Proclamation 255/67.

(b) Income from employment of unskilled workers, employed by the day, who are not employed regularly by a single employer;

(c) Income from employment received from abroad by persons present in Ethiopia representing foreign businesses or other persons not doing business in Ethiopia: provided, however, that if any such person remains in Ethiopia longer than one hundred eighty three (183) days in the aggregate in any one (1) year, said income shall be deemed to have its origin in Ethiopia and shall be subject to income tax;

(d) Income from interest received by persons on bank accounts;

(e) Income from dividends received by shareholders from bodies incorporated in Ethiopia, provided, however, that amounts paid as dividends shall be included in the taxable income of the bodies making such payments;

(f) Income paid to foreign re-insurers is exempt from payment of income tax;

(g) Income specifically exempted from income tax by the law in force in Ethiopia, by international treaty or by an agreement made or approved by Our Minister of Finance.

19.

(Amended by Proclamation 62/93)

Upon completion of buildings for lease the owner and the contractor of the building shall forthwith notify the kebele administration in which the building is situated about such completion. However, if the building is leased before construction is completed the owner shall notify the same to the kebele administration and the appropriate tax authority. The kebele administration has the obligation to communicate to the appropriate tax authority the information it obtains as provided above, as well as the information it gathers through its own followup.

VII. INCOME TAX AUTHORITIES

20.

The implementation and enforcement of this Proclamation and of regulations issued hereunder shall be the duty of the Income Tax Authorities designated below, acting under the authority of Our Minister of Finance:

- a. The Income Tax Department of the Ministry of Finance;
- b. Provincial and District or other local Income Tax offices designed by Our Minister of Finance.

21.

All Income Tax Offices shall be under the general direction and supervision of the Income Tax Department of the Ministry of Finance. The organization of the Income Tax Authorities and the procedures which they shall follow in assessing and collecting taxes shall be prescribed in regulations issued by Our Minister of Finance.

22.

Each taxpayer shall supply the Income Tax Authority with all information required for assessment of the tax and shall, if required, attend either personally or by a duly appointed representative at the office of the Income Tax Authority for this purpose and shall furnish such records, books of account, vouchers, and other documents as may be required.

23.

The Income Tax Authority shall have the right to verify statements made by taxpayers and to send inspectors to check records, books of account, vouchers, and stocks maintained by them.

24.

Each taxpayer shall notify the Income Tax Authorities of any change in his or its address.

25.

All Government Offices and Municipalities shall supply to the Income Tax Authority, on request, any information available in official records necessary for determining the tax liability hereunder of any taxpayer.

26.

All Government Offices and Municipalities shall notify the Income Tax Authority of all licenses issued to new businesses and to persons or bodies taking up professional or vocational occupations.

27.

Municipalities, if so requested by the Minister of Finance, and upon the presentation of satisfactory evidence thereof, shall not issue a license for business or for professional or vocational occupations to any taxpayer who has failed:

- a. To pay the tax due hereunder; or
- b. To keep the records and accounts prescribed by the Minister of Finance under [Article 42](#) of this Proclamation.

VIII. ADVISORY COMMITTEES

28.

(Amended by Proclamation 255/67)

Our Minister of Finance shall appoint the following Advisory Committees:

- a. A Ministerial Advisory Committee,
- b. Provincial Advisory Committees, and
- c. District or Local Offices Advisory Committees.

These Committees shall assist the Income Tax Authorities in assessing the taxes chargeable under [Schedules A, IV - SCHEDULE B](#) , or [V. SCHEDULE C](#) , in cases where such taxes are to be assessed by estimation.

29.

At least one-half (1/2) of the members of each Advisory Committee, apart from the Chairman, shall be selected from merchants, manufacturers, and persons engaged in professional or vocational occupations. Members of the Advisory Committees shall be entitled to receive attendance fees, the amount of which shall be fixed from time to time by Our Minister of Finance.

30.

The quorum required for hearing any case shall be a simple majority of the members of the Committee.

IX. DECLARATION OF INCOME

31.

Except as specified in [Articles 32](#) and [33](#) hereof, income from employment taxable under [Articles 7](#) through 9 hereof shall be declared by the employer.

32.

Any person who is employed by more than one employer in the same month shall himself declare the total amount of his income from employment during said month, irrespective of declarations made by employers.

33.

Any employee of an Embassy, Legation, Consulate, or Mission of a foreign State who is not exempted from payment of income tax pursuant to paragraph g. of [Article 18](#) hereof, shall himself declare the total amount of his income.

34.

(Amended by Proclamation 255/67 and Proclamation 155/78)

Income from sources chargeable under [Schedules B](#) and V. [SCHEDULE CV](#). [SCHEDULE C](#) of this Proclamation, shall be declared by persons and bodies liable to pay the tax on said income.

(a) Any person or organization who derives income from casual rental of property in accordance with [Article 12](#) (d) of this Proclamation, shall declare and pay the tax to the Tax Office within one month from the date of obtaining such income.

(b) Any person or organization who pays dividends to shareholders in accordance with [Article 17](#) (a) of this Proclamation, shall withhold the income tax therefrom and, declare and pay same to the Tax Office within one month from the date of payment of dividends to the shareholders.

(c) Any person or organization who gives prizes to chance winners in accordance with [Article 17](#) (b) of this Proclamation shall withhold the income tax therefrom and, declare and pay same to the Tax Office within one month from the date of giving the prize.

(d) Any person or organization who pays royalties in accordance with [Article 17](#) (c) of this Proclamation shall withhold the income tax therefrom and declare and pay same to the Tax Office within one month from the date of payment of the royalty.

(e) Any person or organization who pays for services rendered from abroad in accordance with [Article 17](#) (d) of this Proclamation, shall withhold the income tax therefrom, and declare and pay same to the Tax Office within one month from the date of payment of the fee.

35.

a. Income from employment taxable under [Articles 7](#) through [9](#) hereof shall be declared each month, within thirty (30) days from the end of the month for which the tax is due.

b. (Amended by Proclamation 255/67) Income from sources chargeable under [Schedule B](#) of this Proclamation shall be declared annually within thirty (30) days from the end of the Ethiopian fiscal year for which the tax is due.

c. (Amended by Proclamation 255/67) Income from sources chargeable under [Schedule C](#) of this Proclamation shall be declared annually as follows:

(i) If the taxpayer is required by regulations issued by Our Minister of Finance to keep books of account and records in such a way as to be able to submit to the Income Tax Authority at the end of the year, a balance sheet and a profit and loss account with necessary specifications: within four (4) months from the end of the annual accounting period for which the tax is due;

(ii) If the taxpayer is required to keep only such books of account and records as may be necessary for him to submit to the Income Tax Authority at the end of the year a summary of his daily revenue and expenditure divided, or not, in certain groups as it may be prescribed by regulations issued by Our Minister of Finance: within

two (2) months from the end of the annual accounting period for which the tax is due;

(iii) If the taxpayer is not required to keep any books or records: within thirty (3) days from the end of the annual accounting period for which the tax is due.

d. Repealed by Proclamation 77/76.

36.

a. Except as may otherwise be prescribed in regulations issued by Our Minister of Finance pursuant to [Article 71](#) hereof:

(i) (Superseded by [Proclamation 77/76](#) (Rural Land Use Fee and Agricultural Activities Income Tax)) Income shall be declared to the Income Tax Authority in the district in which the taxpayer carries on a business or agricultural activities, but where the taxpayer carried on more than one business or agricultural activity, and such businesses or activities are located in several Income Tax Authority districts, he shall notify in writing to the Income Tax Department of the Ministry of Finance the location of all business or agricultural activities carried on by him so that the taxable income derived from each business or activity may be aggregated by the Head Office of the Income Tax Authority and the proper tax duly assessed.

(ii) A business having more than one office shall declare its income to the Income Tax Authority of the district in which its head office is located;

(iii) A non-resident shall make his or its declaration to the Income Tax Authority of the district within which the major part of the income being declared is derived or in which his or its principal agent resides.

b. The agent or agents of a non-resident trading in Ethiopia through said agent or agents shall be jointly responsible with the non-resident for the making of declarations and for the payment of income tax which may be due from said non-resident hereunder.

37.

Declarations shall be made on special forms supplied by the Income Tax Authorities, which forms shall contain particulars regarding all revenues and expenditures to be taken into account in computing taxable income.

X. ASSESSMENT OF TAX

38.

The Income Tax Authority shall examine declarations of income and assess the tax in the manner prescribed herein.

39.

(Amended by Proclamation 255/67)

If the records and books of accounts maintained by the taxpayers are considered satisfactory by the Income Tax Authority, tax shall be assessed on the basis of said records and books of accounts.

40.

If no records and books of account are maintained by the taxpayer, or if for any reason the records and books of accounts are unacceptable to the Income Tax Authority, or if the taxpayer fails to declare his or its income within the time specified in [Article 35](#) hereof, the Income Tax Authority may assess the tax by estimation.

41.

(Amended by Proclamation 255/67 and Proclamation 65/75)

If a taxpayer has submitted a declaration of income, but does not receive within a period of five (5) years from the date of the receipt of the declaration by the Tax Authority, a notice of assessment different from the amount of tax declared, the income declared shall be deemed approved and the tax shall be deemed to have been assessed on that income; provided, however, that the provisions of this [Article 41](#) shall not relieve the taxpayer from liability for the payment of income tax on income which has not been set forth in the said declaration.

42.

Our Minister of Finance may make regulations requiring that certain categories of taxpayers keep records and books of account of such type and in such form as may be determined by Our Minister of Finance.

43.

Our Minister of Finance is empowered to prescribe by regulation that certain categories of taxpayers who are not required to keep records and books of account as referred to in [Article 42](#) hereof and whose annual taxable income as estimated by the Income Tax Authority does not normally exceed six thousand dollars (Eth. \$6,000) shall pay the tax at fixed rates corresponding to the rates set forth in [Article 12](#) hereof upon the income as estimated by the Income Tax Authority and that such taxation, based on the same estimation, may continue from year to year unless revised by said Authority; provided, however, that said Authority shall review said estimate at least once every three (3) years.

XI. PAYMENT OF TAX

44.

a. With the exception of the cases referred to in [Article 45](#) hereof, the tax on income from employment shall be deducted by employers from payments made to employees and transmitted to the Income Tax Authority within thirty (30) days from the end of the month for which the tax is due. If the employer fails to deduct said tax and transmit it, in due time, to the Income Tax Authority, he shall be personally liable for payment of said tax.

b. Our Minister of Finance may prescribe by regulation that in specified cases income from employment may be declared and the tax thereon paid in periods other than in a single month, and that the tax may be paid in a special manner as prescribed in said regulations.

45.

a. A person employed in the circumstances specified in [Article 32](#) hereof shall himself pay any additional amount of tax which may be due if the total tax due on his aggregate income from employment is greater than the amounts deducted by his employers.

b. A person employed in the circumstances specified in [Article 33](#) hereof shall himself pay the tax.

c. The tax referred to in this [Article 45](#) shall be paid within thirty (30) days from the end of the month for which it is due.

46.

(Amended by Proclamation 255/67)

The tax on income from sources chargeable under [Schedules B](#) and [SCHEDULE C](#) of this Proclamation shall be paid as follows:

a. The tax on declared taxable income shall be paid simultaneously with the submission of the declaration of income;

b. Following the assessment of the tax by the Income Tax Authority, the difference, if any, between the tax declared and paid and the tax assessed by the Income Tax Authority shall be paid by, or refunded to, the taxpayer, as the case may be, within thirty (30) days from the date of notification of the assessment.

47.

The Income Tax Authorities shall communicate to the taxpayer:

a. If possible, by the registered letter, or by handing it to the taxpayer in person, or, if he is absent, by handing it to any adult member of his family or person employed by him at his residence or at the place where he is carrying on a business or a professional or vocational occupation;

b. If the taxpayer or other person referred to in paragraph a. of this Article 47 refuses to accept a document or to sign a receipt for it, or if for any other reason the decision or notification cannot be delivered to the taxpayer, the Income Tax Authority shall:

(i) either affix the decision or notification on the door of the premises where the taxpayer has his residence or is carrying on a business or a professional or vocational occupation, or

(ii) publish a notice in an official journal or newspaper in which Court notices are published requiring the taxpayer to come to the Office of the Income Tax Authority not later than seven (7) days from the date of the publication in order to receive the decision or notification,

and the decision of or notification shall then be deemed to be properly delivered.

The cost of publication of the notice referred to in sub-paragraph b. shall be charged to the account of the taxpayer and shall be recovered accordingly.

XII. TAX APPEAL COMMISSIONS

49.

a. The following Tax Appeal Commissions shall be appointed by us:

(i) A Tax Appeal Commission to deal with appeals against tax assessments made by the Income Tax Department of the Ministry of Finance; and

(ii) Tax Appeal Commissions for Provinces, or, in case of need, for certain local offices, to deal with appeals against tax assessments made by the Provincial or local Income Tax Offices situated within the area for which the Commission is appointed.

b. The scope of authority of each Tax Appeal Commission and the areas for which the Commission is appointed, the address of the Commission, and the names of its President, Vice-President, and all members shall be published in the Negarit Gazeta.

50.

Each Tax Appeal Commission shall consist of a President, a Vice-President, and at least five (5) members. At least half of all members of each Commission shall be chosen from amongst merchants and persons carrying on professional occupations.

51.

a. The President, or, in his absence or inability to act, the Vice-President of each Tax Appeal Commission shall

be the administrative head of the Commission, with the authority to fix the time and place of hearings and to assign members and cases to the panels referred to in [Article 52](#) hereof.

52.

a. (Amended by Proclamation 196/80) Each appeal shall be heard and determined where at least three members of the appropriate Tax Appeal Commission, sitting as a panel, assigned by the President of the Commission are present.

b. Each Tax Appeal Commission shall have a secretary and a sufficient number of clerks to keep the records of the Commission and of the proceedings of its panels.

c. (Amended by Proclamation 196/80) The decisions of the panel shall be taken by majority vote of the members thereof. In case of a tie, the presiding member of the panel shall have a casting vote.

53.

The President, Vice-President and other members of each of the Commissions shall be entitled to receive such attendance fees for sitting on panels as shall be fixed from time to time by Our Minister of Finance.

54.

a. Any taxpayer who objects to an assessment made with respect to his or its income by the Income Tax Authority may appeal to the appropriate Tax Appeal Commission.

The appeal shall be made in writing and a copy thereof shall be transmitted simultaneously to the Income Tax Authority which made the assessment.

b. In the case of a business or a person or body carrying on a professional or vocational occupation, it shall be a condition to the appeal that the appellant shall, before the end of thirty (30) days' period prescribed in [Article 55](#) hereof, deposit with the Income Tax Authority:

i. An amount equal to seventy-five percent (75%) of the tax assessed; or

ii. An amount equal to seventy-five percent (75%) of the tax assessed on the appellant's income for the last preceding year with respect to which a final and conclusive assessment has been made;

whichever of the above amounts is the lesser.

c. The amount which shall be deposited with the Income Tax Authority pursuant to paragraph b. of this Article 54, shall in no event be lower than the amount of tax payable by the taxpayer pursuant to paragraph a. of [Article 46](#) hereof on income declared by him. If the amount to be deposited pursuant to paragraph b. of this [Article 54](#) is lower than said amount it shall be a condition to the appeal that the appellant shall pay said amount to the Income Tax Authority before the end of the thirty (30) days period prescribed in [Article 55](#) hereof.

d. The provisions of paragraph b. of this Article 54 shall not apply when the tax on income from a business or from a professional or vocational occupation is assessed for the first time, in such case, it shall be a condition to the making of an appeal that the appellant shall, before the end of the thirty (30) days period prescribed in [Article 55](#) hereof, pay to the Income Tax Authority at least the amount of tax payable pursuant to paragraph a. of [Article 46](#) hereof on income declared by him; provided, however, that if the taxpayer has made no declaration of income, he shall deposit with the Income Tax Authority an amount equal to fifty percent (50%) of the tax assessed by said Authority.

e. In all cases other than those referred to in paragraph b. of this Article 54, it shall be a condition of the appeal that the appellant shall, before the end of the thirty (30) day period prescribed in [Article 55](#) hereof, pay to the Income Tax Authority at least the amount of tax payable pursuant to paragraph a. of [Article 46](#) hereof on income declared by him; provided, however that if the taxpayer has made no declaration of income, he shall deposit with the Income Tax Authority an amount equal to fifty per cent (50%) of the tax assessed by said Authority.

55.

An appeal must be made within thirty (30) days from the date of delivery of the notification of the assessment to the taxpayer. If non appeal is made within this period, or if the appellant fails to deposit or pay, within the same period, the amounts referred to in paragraphs b., c., d., or e. of [Article 54](#) hereof, the assessment of tax made by the Tax Authority shall be considered as final and conclusive and immediately executive.

56.

A Tax Appeal Commission may confirm, reduce, increase, or annul and assessment and make such further consequential order thereon as may seem just and necessary for the final disposition of the matter. Notice of the Commission's decision, the date thereof, and of any amendment to the assessment shall be sent to the Income Tax Authority which made the assessment and which shall serve a copy of the decision on the appellant.

57.

A decision of a Tax Appeal Commission is immediately executive and, subject to the provisions of [Articles 58](#) through 60 inclusive hereof, final and conclusive.

58.

(Amended by Proclamation 255/67)

Should the Income Tax Authority or the appellant be dissatisfied with the decision of the Tax Appeal Commission on the grounds that it is erroneous on any matter of law, either party may appeal, within thirty (30) days from the date of the Tax Appeal Commission's decision to the High Court of Appeal. The party making the appeal shall at the same time send a copy of the submission to the other party and to the Income Tax Appeal Commission.

59.

The court of appeal shall hear and determine any question of law arising on the appeal, and shall, after reaching their decision thereon, notify their decision to the parties and return the case to the Commission. In no case may the court of appeal enter into the merits of the assessment.

60.

An appeal to the next higher court of appeal from the decision of a lower court of appeal may be made by either party within thirty (30) days of the notification of the decision of the decision of the lower court of appeal. The higher court of appeal shall confine its decision to the points considered by the lower court of appeal.

Note: Courts of Law. - Civil Law in Ethiopia is governed by the Civil and [Commercial Codes](#) of 1960 (see [COMMERCIAL LAWS OF THE WORLD - ETHIOPIA](#)) and separate proclamations and legal notices of the Government appearing in the "Negarit Gazeta" the official Government journal. For the most part, precedents in the law courts and in the Codes are drawn from modern European practice, but important segments of the law in Ethiopia, including the settlement of land tenure disputes, are still governed to some extent by the customary or traditional practice.

61.

Notwithstanding any appeal taken hereunder, the taxpayer shall pay the tax in accordance with the decision of the Tax Appeal Commission; provided, however, that if the assessed amount is altered as a consequence of the decision of the highest court of appeal to which an appeal is taken:

- a. Any amount overpaid shall immediately be paid by the taxpayer, or
- b. Any balance due shall be immediately paid by the taxpayer.

XIII. EXECUTION PROCEEDINGS

62.

(Amended by Proclamation 655/67)

Applications for execution of decisions which pursuant to [Articles 55](#) and [Art. 57](#). (Income Tax Proclamation) of the Principal Proclamation shall be considered as final and conclusive, as well as applications for execution of decisions mentioned in [Article 61](#) (b) hereof, shall be made to the Courts, which shall instruct the Execution Officer concerned to execute it under his responsibility.

63.

(Amended by Proclamation 655/67. Superseded in part by Proclamation No. 77 of 1976 - Rural Land Use Fee and Agricultural Activities Income Tax Proclamation)

If any person or body, after being notified of a decision referred to in [Article 62](#) of this Proclamation fails to pay the tax within the following period:

(a) Where no appeal has been made from the decision of the Income Tax Authority, or Local Assessment Committee, or, where the appellant did not conform to the condition of appeals specified in Article 17H of Proclamation 655/67 and [Articles 53](#) and [Art. 54](#). (Income Tax Proclamation) : within the period allowed for making an appeal; or

(b) Where an appeal has been made: within thirty (30) days from the date of notification of a decision of the appropriate Tax Appeal Commission; or

(c) Where an additional tax is due in accordance with the provision of [Article 61](#) of the Principal Proclamation: within thirty (30) days from the date of notification of the decision of the highest court of appeal to which an appeal is taken.

The Execution Officer is empowered, on receipt of a warrant for that purpose from the Court, to attach any funds, including cash or credit held by another person or body, and to distrain and sell any movable and immovable property of said defaulting person or body so as to collect the tax due together with any penalties and cost of execution.

(d) Any person or body, who being requested to do so, fails to pay over or transfer to the Execution Officer any funds or property held by him or it for the account of said defaulting person or body, shall become personally liable for the tax owed by the said defaulting person or body.

XIV. SPECIAL PROVISIONS

64.

All companies shall submit to the Income Tax Authority a copy of their memoranda of association and statutes and shall notify it of any subsequent changes therein.

65.

(Amended by Proclamation 255/67)

When any taxpayer ceases to exercise any activity from which an income chargeable under [Schedule B or C](#) of this Proclamation is derived, the person or persons responsible for winding up such activities shall notify the Income Tax Authority of the date of cessation of activity within thirty (30) days thereof. In such cases arrears of the tax due up to the date of cessation of activity shall be paid within one (1) month.

XV. PENALTIES

66.

Any taxpayer who, being required to do so, fails to declare his or its income within the period specified in [Article 35](#) hereof may be assessed by the Income Tax Authority, as a penalty, twenty per cent (20%) of the amount of tax finally assessed by said Income Tax Authority.

67.

Any taxpayer who fails to pay the full amount of tax due within thirty (30) days after the payment is due shall pay a penalty equal to two per cent (2%) of the amount of tax which is in default in respect of every thirty (30) days during which payment is in default, up to a maximum penalty of fifty per cent (50%) of the amount due.

68.

Any taxpayer in one of the categories specified below who fails to maintain such records and books of account as may be prescribed by Our Minister of Finance shall pay a penalty of twenty per cent (20%) of the amount of the tax due:

a. Businesses having an annual turnover of forty-eight thousand dollars (Eth. \$48,000) or more;

b. Taxpayers engaged in professional and vocational occupations having an annual income therefrom of twelve thousand dollars (Eth. \$12,000) or more.

69.

The penalties specified in [Articles 66](#) through [68](#) inclusive, shall be added to and shall be deemed part of the tax and shall be recovered accordingly; provided, however, that said penalties may be waived, in whole or in part, at the discretion of the Income Tax Authority.

XVI. OFFENSES

70.

a. Any taxpayer who violates any of the provisions hereof shall be punishable in accordance with the Penal Code of 1957.

b. No punishment imposed pursuant to paragraph a. of this Article 70 shall extinguish or abate taxes or penalties due.

c. (Added by Proclamation 255/67) Notwithstanding the provisions of [Article 41](#) of this Proclamation and [Art. 55](#). (Income Tax Proclamation) of the Principal Proclamation, the Income Tax Authority is authorized to revise, at any time, any of its previous assessments of the tax in cases where it appears that the taxpayer:

(i) omitted to give a full and proper declaration of income;

(ii) refused to supply or supplied the Tax Authority with false information concerning the sources or amounts of his income or the size of his operations;

(iii) committed any other offence punishable under the Penal Code of Ethiopia.

XVII. POWERS OF OUR MINISTER OF FINANCE

71.

Our Minister of Finance may issue Regulations for the better carrying out of the provisions hereof.

72.

Our Minister of Finance may, for good cause, remit, in whole or in part, the tax payable by any taxpayer hereunder.

73.

(a) When the transition from the Ethiopian calendar year to the Ethiopian fiscal year pursuant to [Articles 10](#) and [Art. 12](#). (Income Tax Proclamation) hereof results in a reduction of the accounting period from twelve (12) to ten (10) months, the following changes shall be made in assessing the tax on income of said ten (10) months period:

(i) The taxable income limits set forth in [Articles 10](#) and [Art. 12](#). (Income Tax Proclamation) hereof shall be multiplied by five-sixths (5/6ths);

(ii) The fixed tax rates, but not the tax rates expressed in terms of per centum, set forth in Article 12 hereof shall be multiplied by five-sixths (5/6ths);

(iii) The limits for surtaxes set forth in [Articles 10](#) and [Art. 13](#). Repealed by Proclamation 155/78. shall be multiplied by five-sixths (5/6ths).

(b) When the transition from the accounting year presently being used by any taxpayer to the Ethiopian fiscal year pursuant to [Articles 10](#) and [Art. 12](#). (Income Tax Proclamation) hereof changes the account year to a period of other than twelve (12) months, the principle set forth in paragraph 2, of this Article 73 shall be similarly applied.

(c) Income taxable under [Articles 7](#) through 9 hereof ([Schedule A](#)) shall be taxed in accordance with the provisions hereof from the first day of the month following the date of coming into force of this Proclamation.

(d) Income taxable under [Articles 10](#) through [17](#) hereof ([Schedules B](#) and [C](#)) shall be taxed in accordance with the provisions hereof as from 1st Muskaram 1953, E.C.

(e) All income paid or credited to or received by any taxpayer prior to the dates specified in paragraphs c. and d. of this Article 73 shall be taxed in accordance with the provisions of the Income Tax Decree, 1956 (Decree No. 19 of 1956) and the Income Tax (Amendment) Decree, 1959 (Decree No. 34 of 1959) or of the previous enactments in force, as the case may be.

74.

Subject to the provisions of paragraphs c., d., and e. of [Article 73](#) hereof, this Proclamation shall come into force on the date of its publication in the Negarit Gazeta.

Done at Addis Ababa this 2nd day of June, 1961.

