ST. MARY’S UNIVERSITY COLLEGE
FACULTY OF LAW

LL.B THESIS

THE DUTIES OF TAXPAYERS ON THE
VALUE ADDED TAX PROCLAMATION
NO 285/2002

BY SOLOMON W/YOHANNES WODAJENEH

ADDIS ABABA, ETHIOPIA
July 2008
THE DUTIES OF TAXPAYERS ON THE VALUE ADDE TAX PROCLAMATION NO 285/2002

BY SOLOMON W/YOHANNES WODAJENEH

ADVISOR: - ATO DAGNACHEW ASRAT

Submitted in Partial Fulfillment for the Bachelors Degree of Law (LL.B) at the Faculty Of Law, st. Mary’s University College.

ADDIS ABABA, ETHIOPIA
July 2008
Acknowledgment

First of all, I will adore and bless you in my heart with great thanks Almighty, my God, for the success that you are giving me. You are Omnipotent, Omnipresent and Omniscient. You Are the creator of all the visible and invisible ones. You are God of Gods, Lord of Lords and King of Kings in Heaven and in Earth.

I will give my great thanks to my Advisor Ato Dagnachew Asrat because he has helped me by giving a proper and scholarly advice to write this senior paper properly.

I will thank W/O Yelfa Shewa Yirga, W/O Tsigereda Ayele, W/O Senait Kebede and W/t hiwot Sentayehu who helped me in writing and reading theses paper and correcting its grammatical error.

Lastly but not the least, I will give my great thank to my wife W/O Sinedu Zeleke and to my beloved children Mateb and Kitab who helped me by giving moral and support which leads me to this great success and achievement because now at this time, I am aged to arrive 53 years old.
Table of Contents

Introduction .................................. 1

Chapter One .................................. 2

1. Backgrounds of Taxation, Its History and from Bible and The Introduction of Value Added Tax into Ethiopia .................................. 2
   1.1 Backgrounds of Taxation in general .................................. 2
   1.2 History of Taxation in Ethiopia .................................. 5
   1.3 Tax Administration from the Bible .................................. 8
      1.3.1 A little information from the Old Testament ............... 8
      1.3.2 Tax Administration from the New Testament ............ 10
   1.4 Definition of Value Added Tax and its Introduction into Ethiopia .................................. 12
      1.4.1 Definition of Value Added Tax .................................. 12
      1.4.2 The Introduction of Value Added Tax into Ethiopia .... 13

Chapter Two .................................. 17

2. Rights of Taxpayers .................................. 17
   2.1 Subjects of Value Added Taxpayers .................................. 17
   2.2 Kinds of Tax Rate .................................. 18
      2.2.1 The goods and services on which the Value Added Tax is imposed with 15% rates .................................. 18
      2.2.2 The goods and services on which the Value Added Tax is imposed zero percent rates .................................. 18
   2.3 The Rates of Income Tax .................................. 19
      2.3.1 The Rate of Employment Income Tax ......................... 19
      2.3.2 The Rate of Income Tax from Rental of buildings and Business Income Schedule B and C respectively ............ 19
      2.3.3 The Rate of other Income Tax (Schedule D) ............... 19
   2.4 The Rate of Excise Tax .................................. 20
   2.5 The Rate of Turn over Tax .................................. 20
   2.6 Tax Slogans .................................. 21
   2.7 The Main Rights of Taxpayers .................................. 22
Table of Content

2.7.1 Voluntary Registration 22
2.7.2 Cancellation of Registration or Getting out of VAT 23
2.7.3 Payment of Taxes on due date 24
2.7.4 Tax Credit and VAT refund 25
2.7.5 Adjustment of The Value of Taxable Transaction 27
2.7.6 To be Notified any decision given by the Tax Authority 28
2.7.7 Tax payer to be safeguarded 29
2.7.8 The Right of Appeal 29

2.8 Comment 30

Chapter Three

3. The duties of Taxpayers, Administrative penalties and Criminal offences 33
3.1 Duties of Taxpayers 33
3.2 The Main duties of Taxpayers 34
3.2.1 Obligatory Registration 35
3.2.2 Filing of Tax Return and payment of VAT 37
3.2.3 Responsibility for Administration and Reporting of Value Added Tax 38
3.2.4 Record Keeping 38
3.2.5 Notification of Changes 40
3.2.6 Burden of Proof 40

3.3 Administrative penalties and Criminal Offences 40
3.3.1 Administrative Penalties 40
3.3.2 Criminal Offences 42

Chapter Four

4. Conclusion and Recommendation 44
4.1 Conclusion 44
4.2 Recommendation 45

Bibliography

1. Book 46
2. Laws 46
3. Other Materials 46
Statement of declaration

I have declared that this paper is my original work and I take full responsibility for any failure to observe the conventional rules of citation.

BY SOLOMON W/YOHANNES WODAJENEH

Signed -------------------------------