

F I S C A L A F F A I R S D E P A R T M E N T

Ethiopia

Tax Administration Diagnostic Assessment Tool

Dumisani Masilela, Sameera Khan, Faith Mazani, Rameck Masaire, Paul Martens, Peter Wiesel

Technical Report | February 2025



Ethiopia

Performance Assessment Report

Dumisani Masilela, Sameera Khan, Faith Mazani, Rameck Masaire, Paul Martens, Peter Wiezel



Fiscal Affairs Department

February 2025

TADAT is a collaborative undertaking of the following partners:



BMZ  Federal Ministry
for Economic Cooperation
and Development



 Ministry of Foreign Affairs of the
Netherlands

 Norwegian Ministry
of Foreign Affairs

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Swiss Confederation
Federal Department of Economic Affairs FOEA
State Secretariat for Economic Affairs SIKO



 WORLD BANK GROUP

CONTENTS	PAGE
ABBREVIATIONS AND ACRONYMS.....	4
PREFACE.....	6
EXECUTIVE SUMMARY.....	7
I. INTRODUCTION	16
Country Profile.....	17
Data Tables	17
Economic Situation	18
Main Taxes	19
Institutional Framework	19
Current Status of Tax Administration Reform	19
International Information Exchange.....	20
II. ASSESSMENT OF PERFORMANCE OUTCOME AREAS.....	21
POA 1: Integrity of the Registered Taxpayer Base.....	21
POA 2: Effective Risk Management	23
POA 3: Supporting Voluntary Compliance	28
POA 4: Timely Filing of Tax Declarations.....	31
POA 5: Timely Payment of Taxes.....	34
POA 6: Accurate Reporting in Declarations.....	37
POA 7: Effective Tax Dispute Resolution	41
POA 8: Efficient Revenue Management.....	43
POA 9: Accountability and Transparency	46

TABLES

1. Ethiopia - Summary of TADAT Performance Assessment.....	9
2. P1-1 Assessment.....	21
3. P1-2 Assessment.....	22
4. P2-3 Assessment.....	24
5. P2-4 Assessment.....	25
6. P2-5 Assessment.....	25
7. P2-6 Assessment.....	26
8. P2-7 Assessment.....	27
9. P3-8 Assessment.....	28
10. P3-9 Assessment	29
11. P3-10 Assessment.....	30
12. P3-11 Assessment.....	30
13. P4-12 Assessment.....	32
14. P4-13 Assessment.....	33
15. P4-14 Assessment.....	33
16. P5-15 Assessment.....	34

17. P5-16 Assessment.....	35
18. P5-17 Assessment.....	35
19. P5-18 Assessment.....	36
20. P6-19 Assessment.....	38
21. P6-20 Assessment.....	40
22. P6-21 Assessment.....	40
23. P6-22 Assessment.....	40
24. P7-23 Assessment.....	41
25. P7-24 Assessment.....	43
26. P7-25 Assessment.....	43
27. P8-26 Assessment.....	44
28. P8-27 Assessment.....	45
29. P8-28 Assessment.....	45
30. P9-29 Assessment.....	46
31. P9-30 Assessment.....	47
32. P9-31 Assessment.....	48
33. P9-32 Assessment.....	49

FIGURES

1. Ethiopia - Distribution of Performance Scores.....	Error! Bookmark not defined.
---	-------------------------------------

ATTACHMENTS

I. TADAT Framework.....	50
II. Insert Country Name: Country Snapshot.....	52
III. Data Tables	53
IV. MOR Organizational Structure.....	66
V. Sources of Evidence.....	67

ABBREVIATIONS AND ACRONYMS

AFRITAC	African Regional Technical Assistance Centre
AFE	African Regional Technical Assistance Center East (East AFRITAC)
BCP	Business Continuity Program
CIT	Corporate Income Tax
DARS	Document Authentication and Registration Service
E.C.	Ethiopian Calendar
ERCA	Ethiopian Revenue and Customs Authority
FAQ	Frequently Asked Questions
GIZ	German Agency for International Cooperation
HCR	Human Capital Risk
HQ	Headquarters
HR	Human Resources
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IT	Information Technology
LTO	Large Taxpayers Office
MOF	Ministry of Finance
MOR	Ministry of Revenues
MTRI	Ministry of Trade and Regional Integration
MTRS	Medium Term Revenue Strategy
NMTRS	National Medium Term Revenue Strategy
PAYE	Pay As You Earn
POA	Performance Outcome Area
SIGTAS	Standard Integrated Government Tax Administration System
SOE	State Owned Enterprises
TAA	Technical Assistance Advisor
TADAT	Tax Administration Diagnostic Assessment Tool
TAQAR	Tax Audit Quality Assurance Review

TASS	Tax Administration Support System
TEU	Taxpayer Education Unit
VAT	Value Added Tax

PREFACE

A repeat assessment of the system of tax administration of Ethiopia was undertaken during the period 30 July to 14 August 2024 using the Tax Administration Diagnostic Assessment Tool (TADAT). The first assessment was conducted during the period April 11-26, 2016. TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

The assessment team comprised the following: Dumisani Masilela, International Monetary Fund's (IMF) Fiscal Affairs Department (FAD) Technical Assistance Advisor (TAA) and mission head; Sameera Khan, TAA, TADAT Secretariat; Faith Mazani, AFRITAC East (AFE) Medium Term Revenue Strategy (MTRS) Resident Advisor; Rameck Masaire, Resident Advisor (Revenue Administration), AFRITAC East; Paul Martens, IMF-FAD Expert; and Peter Wiesel, Technical Advisor, German Agency for International Cooperation (GIZ).

The assessment team met with the Ethiopia Ministry of Revenues Minister, Honorable Aynalem Nigussie; State Minister of the Tax Systems Division, H.E Tesfaye Tulus; acting State Minister for Tax Operations Division, Mr. Yosef Shiferaw Hundessa; Tax Law Advisor, Mr. Samuel Nebiyu; senior management, and a cross-section of operational staff. Assessment sessions were attended by leadership of the relevant areas assessed under each Performance Outcome Area (POA), together with members of their teams that had undergone TADAT training prior to the assessment. Field visits were made to two offices, namely the Large Taxpayer Office (LTO) and the Northwest Addis Ababa branch responsible for administering the affairs of small and medium taxpayers.

The assessment team expresses its appreciation to the Ministry of Revenues' management and staff for their hospitality and for the open, candid, and active participation in the assessment. Special thanks to Mr. Osman Mahamed Ahmed (Director, Strategic Partnerships Directorate) and his staff for very effectively facilitating the assessment team's work. The coordination of the meetings and following up on the collection and translation of documents from Amharic to English was greatly appreciated.

A draft performance assessment report was presented to the Minister, Ms. Aynalem Nigussie at the close of the in-country phase of the assessment. Written comments on the assessment findings were submitted to the authorities and were incorporated in the report. It was subsequently reviewed and cleared by the Fiscal Affairs Department and the TADAT Secretariat.

EXECUTIVE SUMMARY

The results of the 2024 TADAT repeat assessment for Ethiopia follow, including the identification of the main strengths and weaknesses.

Strengths

- A wide range of initiatives exist to detect unregistered businesses and individuals.
- An effective arrears management program is in place.
- Withholding at source and advance payment arrangements exist.
- A VAT refund system provides for timely payment of refunds with adequate risk-based verification before payment.
- A well-structured and effective tax dispute resolution process exists.

Weaknesses

- Institutional risks are not adequately identified, assessed, and managed.
- Insufficient external analysis and research into factors impacting taxpayer compliance levels.
- Compliance risk management approach and the formulation of mitigation strategies are only partially developed.
- Electronic payment facilities are not optimally used.
- No automatic access to third-party data for large-scale automated crosschecking to verify information reported in tax declarations.
- No active involvement in the government's revenue forecasting and estimation process.

The 2024 repeat assessment for Ethiopia reflects a marked improvement from the results attained in the 2016 assessment. While the 2016 assessment was carried out using the original 2015 TADAT Field Guide, comparison with the results attained in the current assessment can easily be made with the exception of the new focus areas included in the current 2019 TADAT Field Guide.

Ethiopia scored poorly in the first assessment, with the best rating being a "B" score in P3-9. A majority of the POA's attained a D score. The 2024 assessment, however, has delivered four "A" scores (denoting performance that meets or exceeds international good practice) for indicators: P1-2; P3-9; P5-16; and P7-23). In addition, there were also two "B" scores (representing sound performance a rung below international good practice). This reflects a considerable improvement as a result of investments made by Ethiopia to improve the country's revenue administration.

While a compliance risk management framework is in place, this recommended approach is yet to be fully developed and implemented. The success of the organizations' planned compliance strategies year-on-year depends largely on the outcomes of a properly functioning compliance risk management approach. Another inhibiting factor in this area is access to third-party data, which is currently highly constrained, with the only data accessed being that held by a limited number of state entities (including Customs). There is also limited research carried out to support revenue administration initiatives and revenue forecasting.

The absence of a robust integrated tax administration IT system is adversely affecting domestic tax administration operations in Ethiopia. The current SIGTAS has served the organization well for many years and has delivered significant improvements in many aspects of tax administration. However, as the current assessment shows, it is no longer suitable as the platform to support the critical elements of revenue administration. A clear example of this is the current system's inability, within its registration module, to support interfacing with taxpayers, to facilitate online registration and updating of basic taxpayer information. It also does not interface with other systems to facilitate automatic extraction of critical information to support the organization's compliance initiatives.

Table 1 provides a summary of performance scores, and Figure 1, a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's nine performance outcome areas (POAs) and 32 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

Table 1: Ethiopia Summary of TADAT Performance Assessment

Indicator	Scores 2016	Scores 2024	Summary Explanation of Assessment
P1-1. Accurate and reliable taxpayer information.	D	D	A centralized registration system is in place, which facilitates the gathering of adequate registration data; however, taxpayers are unable to update their registration details online. Documented procedures are routinely applied to maintain the accuracy of the register; however, no reports exist that provide assurance that this is effectively done.
P1-2. Knowledge of the potential taxpayer base.	D	A	The Tax Information Unit gathers information from the electronic cash registers, SIGTAS, the customs system, the company registration database, and the civil registration database. They use the Tax Administration Support System (TASS) to analyze and identify unregistered taxpayers.
POA 2: Effective Risk Management			
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	D	D	Limited external data and information are used to understand the overall compliance risk environment. Although a general emphasis is placed on the main compliance obligations, no assessment is undertaken for each core tax using a structured multi-year approach.
P2-4. Mitigation of risks through a compliance improvement plan.	D	C	The compliance plan formulated falls short of many of the requirements such an organizationally wide plan should contain, like identifying the most significant compliance risks faced and how the MOR intends to respond to these.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	D	Although reporting of compliance activities completed is comprehensive, monitoring of the effectiveness of such activities is not undertaken.

Indicator	Scores 2016	Scores 2024	Summary Explanation of Assessment
P2-6. Management of operational risks.	D	D	A structured process to identify, assess, and mitigate operational risks and a documented Business Continuity Plan is not in place.
P2-7. Management of human capital risks.	-	D	There is inadequate capacity and structures in place to manage human capital risks and no regular formal evaluation is undertaken in this area.
POA 3: Supporting Voluntary Compliance			
P3-8. Scope, currency, and accessibility of information.	C	C	Information and support are provided to taxpayers mainly through the Taxpayers Education Unit with information also available on the website, You-Tube, Facebook, and Telegram. Although guidelines covering record keeping for small taxpayers is available, information is generally not tailored to the needs of other key taxpayer segments, economic sectors, or disadvantaged groups.
P3-9. Time taken to respond to information requests.	-	A	A dedicated Call Centre incorporating a toll-free line operates on a 12-hour day basis (soon to be 16 hours). The Call Centre is staffed with 19 well-trained and experienced revenue officers who handle an average of 669 calls per month, and a twelve-months call volume of 8,030. Information provided shows that 99 percent of the calls were answered within 6 minutes of waiting time.
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	C	C	Simplified arrangements are in place for small taxpayers as well as comprehensive FAQ management, but there is no evidence of any other cost-of-compliance-reducing initiatives in place.
P3-11. Obtaining taxpayer feedback on products and services.	B	D	Feedback is regularly sought and received from stakeholders, but no evidence was

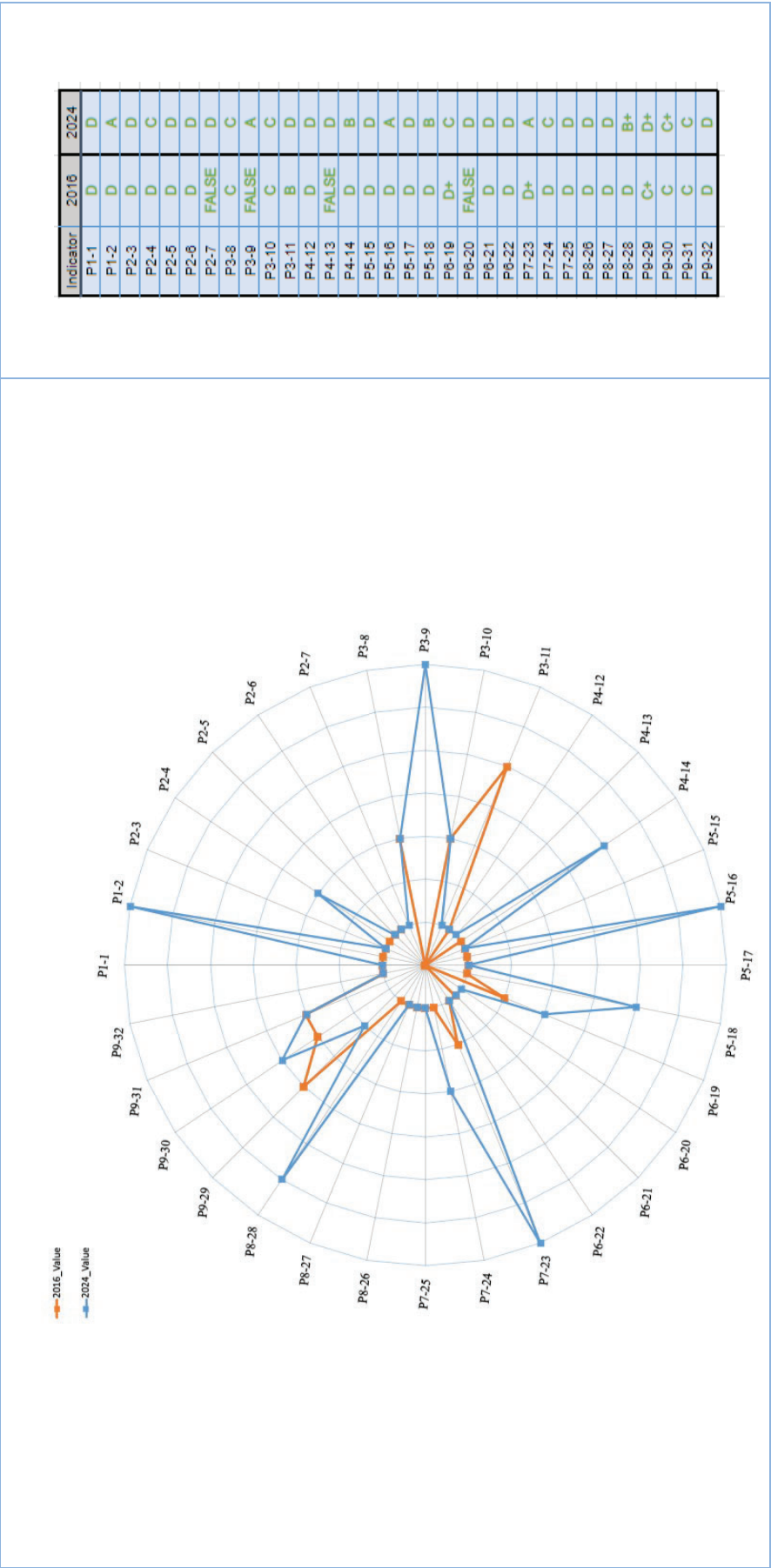
Indicator	Scores 2016	Scores 2024	Summary Explanation of Assessment
			available to show how this resulted in improved administration by the MOR.
POA 4: Timely Filing of Tax Declarations			
P4-12. On-time filing rate.	D	D	CIT and VAT filing performance is acceptable, with large taxpayer VAT filing improving year-on-year. However, data provided for both PAYE and domestic excise do not align with taxpayer registration figures, so it has been deemed unreliable.
P4-13. Management of non-filers.	-	D	Dedicated staff utilizing documented procedures monitor filing compliance. Generated non-filers reports are exported to the non-filers' tracker file, which has been established outside the SIGTAS. Estimated assessments and late filing penalties are issued for VAT, PAYE, and domestic excise. The process is, however, not fully automated.
P4-14. Use of electronic filing facilities.	D	B	The use of electronic filing systems is mandatory but is not available to all taxpayers due to some taxpayers not having access to internet and the administration not providing the necessary facilities.
POA 5: Timely Payment of Taxes			
P5-15. Use of electronic payment methods.	D	D	Electronic payment options are available for all core taxes. While these are mandatory, the value of electronic payments from large taxpayers is very low (An average of 20 percent of value of payments for large taxpayers and 21 percent of value of payments for all taxpayers).
P5-16. Use of efficient collection systems.	D	A	Withholding at source is in place for PAYE, interest and dividend incomes. Advance

Indicator	Scores 2016	Scores 2024	Summary Explanation of Assessment
			payment arrangements for CIT are also in place.
P5-17. Timeliness of payments.	D	D	While the number of VAT payments by the due date is high (95 percent for large taxpayers and 93 percent for all taxpayers), the overall value of VAT payments made by the due date is low (67 percent for large taxpayers and 65 percent for all taxpayers).
P5-18. Stock and flow of tax arrears.	D	B	The value of total core tax arrears and collectible tax arrears is high (at 17 percent and 10.5 percent, respectively), whilst arrears older than 12 months are reasonable (average of 49 percent) when compared to international good practice.
POA 6: Accurate Reporting in Declarations			
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	D+	C	The MOR has an annual national audit program and an updated comprehensive tax audit manual in place. Furthermore, the quality of taxpayer audits is reviewed on a regular basis and monthly performance reports are being prepared to assess the effectiveness of the taxpayer audit function.
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	-	D	The MOR does not have a large-scale automated cross-checking process to verify information reported in tax declarations.
P6-21. Initiatives undertaken to encourage accurate reporting.	D	D	While the Ministry of Finance provides guidance notes from time to time, there was no evidence of a system of producing binding public and private rulings.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	D	D	The MOR does not use any best practice method(s) to monitor the extent of inaccurate reporting in declarations of any core tax type.
POA 7: Effective Tax Dispute Resolution			

Indicator	Scores 2016	Scores 2024	Summary Explanation of Assessment
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	D+	A	The three-tiered tax dispute process adopted aligns with internationally recognized good practice.
P7-24. Time taken to resolve disputes.	D	C	67.8 percent of administrative disputes are finalized within 30 days, 87.4 percent within 60 days and 92.3 percent finalized within 90 days.
P7-25. Degree to which dispute outcomes are acted upon.	D	D	Monitoring of dispute cases involving significant issues is undertaken. There is no evidence of the cases influencing policy changes.
POA 8: Efficient Revenue Management			
P8-26. Contribution to government tax revenue forecasting process.	D	D	The MOR does not provide direct input into the government's revenue forecasting and estimation process.
P8-27. Adequacy of the tax revenue accounting system.	D	D	The MOR's automated tax revenue accounting system is not interfaced with the MOF's Integrated Financial Management Information System (IFMIS).
P8-28. Adequacy of tax refund processing.	D	B+	VAT refunds are subjected to predetermined risk profiling with 82 percent of them paid within a 30-day period. The law provides for payment of interest, but no interest has been paid.
POA 9: Accountability and Transparency			
P9-29. Internal assurance mechanisms.	C+	D+	The internal audit approach is sound, but there is no central repository for internal controls. Staff integrity assurance mechanisms are also sound, but the Ethics Directorate officers have no special powers to conduct investigations.
P9-30. External oversight of the tax administration.	C	C+	Annual audits by the Auditor General are conducted, and the MOR works closely with the Anti-Corruption Commissioner. However, no evidence was available to the extent of the Tax Ombudsman's findings following complaints by taxpayers against the MOR.

Indicator	Scores 2016	Scores 2024	Summary Explanation of Assessment
P9-31. Public perception of integrity.	C	C	Internal public perception surveys are conducted annually using a statistically valid sample of the taxpayer population, but not by independent third parties.
P9-32. Publication of activities, results, and plans.	D	D	A comprehensive report of the MOR's operational performance is prepared within six months and posted on the website but does not include the financial statements. Strategic and operational plans are not published in advance of the period they cover.

Figure 1. Ethiopia: Distribution of Performance Scores



I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in Ethiopia during the period July 30 to August 14, 2024, and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 32 high level indicators critical to tax administration performance that is linked to the POAs. Fifty-five measurement dimensions are considered in arriving at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.
- 'B' represents sound performance (i.e. a healthy level of performance but a rung below international good practice).
- 'C' means weak performance relative to international good practice.
- 'D' denotes inadequate performance and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to central government revenues, specifically corporate income tax (CIT), personal income tax (PIT), value added tax (VAT), domestic excise tax (with a focus is on those registered domestic excise taxpayers who trade in the category of goods/services that contribute 70 percent of the total domestic excise revenue by value), and Pay As You Earn (PAYE) amounts withheld by employers (which, strictly speaking, are remittances of PIT). By

assessing outcomes in relation to administration of these core taxes, a picture can be developed of the relative strengths and weaknesses of a country's tax administration.

- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of Ethiopia).
- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.
- TADAT provides an assessment within the existing revenue policy framework in a country, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.
- Facilitating a shared view among all stakeholders (country authorities, international organizations, donor countries, and technical assistance providers).
- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing).
- Facilitating management and coordination of external support for reforms and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

I. COUNTRY BACKGROUND INFORMATION

Country Profile

General background information on Ethiopia and the environment in which its tax system operates are provided in the country snapshot in Attachment II.

Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

Economic Situation

Ethiopia has achieved impressive economic and social development over the last decade and a half. During 2004–19, Ethiopia reported real GDP growth averaging over 10 percent per year and rapidly rising per capita incomes. Development indicators saw remarkable improvement: life expectancy rose by about 10 years while infant mortality was halved. While the structure of the economy did not evolve radically, with a still large contribution from smallholder agriculture, Ethiopia maintained a relatively equitable income distribution.

Macroeconomic imbalances left the economy vulnerable to shocks. Economic growth was propelled by public investment, driven by external borrowing and diversion of domestic resources to infrastructure projects through exchange rate distortions and financial repression. Significant exchange rate overvaluation contributed to weak export growth and current account deficits, and insufficient macroeconomic policy adjustment culminated in severe shortages of foreign exchange, high inflation, and a high and rising parallel market exchange rate premium. The fiscal balance deteriorated considerably in the last decade. Poor revenue collection contributed immensely to this deterioration, with the revenue to GDP ratio projected at 7.3 percent for the year 2023/24. Poor revenue administration has been a significant contributor to this poor revenue outcome. The impact of the COVID-19 pandemic, domestic conflict, Russia's war in Ukraine, and tightening external financial conditions contributed to unsustainable external debt and mounting financial stability risks.

In July 2024, a 48-month ECF program was approved, with access of 850 percent of quota (SDR 2,555.95 million), to support the authorities' reform agenda. The arrangement supported the authorities' Homegrown Economic Reform Agenda to address macroeconomic imbalances, restore external debt sustainability, and lay the foundations for higher, inclusive, and private sector-led growth. Key program policies include: (i) moving to a market-determined exchange rate to help address external imbalances and relieve foreign exchange shortages; (ii) combating inflation through modernizing the monetary policy framework, eliminating monetary financing of the budget, and reducing financial repression; (iii) creating space for priority public spending through mobilizing domestic revenues; (iv) restoring debt sustainability, including through securing timely debt restructuring agreements with external creditors; and (v) strengthening the financial position of state-owned enterprises to tackle critical macro-financial vulnerabilities.

Inflation in Ethiopia has been high and volatile in recent years but has begun to decline. After averaging 33.9 percent in 2022, and 30.22 percent in 2023. Headline inflation declined to 18.6 percent in July 2024, supported by easing food price inflation (particularly staples) and the impact of caps on credit growth. Anecdotal reports of sharp price increases in select imported items in Addis Ababa, following the move to a market determined exchange rate, which resulted in the exchange rate almost doubling over a short period, did not lead to widespread price pressures. Nonetheless, local authorities in Addis Ababa took measures to address perceived unwarranted price hikes and hoarding of goods, including temporary shop closures.

The end of the large-scale conflict in Tigray was a significant step towards lasting peace and stability. The Cessation of Hostilities Agreement (November 2, 2022) has been followed with progress on providing humanitarian aid and restoring basic services, and the formation of an interim regional administration in Tigray. However, persistent security problems in some regions and food insecurity worsened by prolonged droughts and a suspension of donor supplies for Tigray following a corruption scandal in 2023, represent significant challenges.

Main Taxes

Ethiopia's main domestic taxes comprise CIT, VAT, PAYE, Excise duties, Individual Business Profit Tax (IBPT) and Turnover Tax (TOT). The Ministry of Revenue (MOR) only administers CIT, VAT (for corporate entities), PAYE (for state-owned enterprises (SOE)) and Excise (for corporate entities). Regional administrations (independent from the MOR) administer VAT for non-corporate entities and PAYE for all employers who are not SOEs. They also administer Excise for non-corporate entities, IBPT and TOT. Unfortunately, despite numerous follow-ups, the authorities were not able to provide the assessment team with Table I, which reflects tax revenue collections.

Further details on tax revenue collections are provided in Table 1 of Attachment III.

Institutional Framework

Ethiopia's tax administration has undergone many changes recently. Currently, it is done by a fully-fledged Ministry, the Ministry of Revenue (MOR), which is separate from the Ministry of Finance. Under Proclamation No 1097/2018, the Ministry of Revenues has the mandate to supervise and control the newly established Customs Commission. Constitutionally, the tax collection function is shared between the Federal and Regional governments. Profit taxes from Incorporated entities (CIT) are collected at federal level, while the same taxes from businesses run by individuals (referred to as Business Income Tax) are collected at regional level. VAT is administered at federal level. However, for non-corporates, VAT is administered by regional tax administrations, with the VAT revenue ultimately being transferred to the MOR on a net basis. PAYE is collected at regional level, except for that accruing from state-owned enterprises (SOE), which is collected at the federal level. There are 12 regional and 2 city administrations in Ethiopia. The MOR has 13 branches, 7 of which are in the regions and 6 in Addis Ababa. MOR has a staff complement of 5,241 and its operational budget stood at Birr 3,582,887,900 for the year 2024/25.

An organizational chart of the tax administration is provided in Attachment IV.

Current Status of Tax Administration Reform

Ethiopia has completed the development of its national Medium-Term Revenue Strategy (MTRS), which was approved by the Cabinet in September 2024. This strategy outlines areas of reform in the country's tax system, including revenue administration. One area earmarked for reform is the

establishment of a reform administration directorate/unit in the MOR, and revenue bureaus in the regional revenue offices. These will form a revenue administration reform structure, which will be accountable to the Minister of Revenues, to facilitate implementation of the MTRS reforms. In addition, the MTRS identifies the following, among others, as areas in need of reform: improvement of the IT and data management system; improvement of the existing taxpayer touchpoints; instituting a dynamic computerized risk management system; making the audit, risk, and intelligence directorates independent from each other; strengthening the revenue management within the revenue authorities including the regional revenue bureaus; and preparing a human resource development strategy. The World Bank has established a project, which is aimed at assisting Ethiopia to improve its revenue administration. The main area of focus is the acquisition of a new tax administration information technology (IT) system.

International Information Exchange

Ethiopia is neither a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes nor the Inclusive Framework on Base Erosion and Profit Shifting. Ethiopia has Double Tax Treaties with the following countries: Cyprus, Egypt, France, Great Britain and North Ireland, India, Ireland, Israel, Italy, Netherlands, Poland, Portugal, Romania, Singapore, South Africa, South Korea, and Turkey.

II. ASSESSMENT OF PERFORMANCE OUTCOME AREAS

POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpin key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess: (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i.e. tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

Table 2. P1-1 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	D	D	B	D
P1-1-2. The accuracy of information held in the registration database.		D		D	

The registration database is computerized, centralized, and provides a full countrywide view of all taxpayers, however, taxpayers are unable to register or update their details online. Ethiopia uses the Standard Integrated Government Tax Administration System (SIGTAS) to administer taxes. While the system is linked to the Ministry of Trade and Regional Integration's (MTRI) Document Authentication and Registration Service (DARS) and the National Identification Project Office for verification of corporate and individual taxpayers respectively, taxpayers are unable to register or update their details online. As per PROCEDURE 143/2011 – updates to taxpayers' details, such as addresses, phone numbers, and email addresses can only be done at the tax offices.

No internal or external audit reports attest to a high level of accuracy of the registration

database. An established data registration quality assurance unit at the MOR headquarters is responsible for verifying the accuracy of new registrations done at the regional and branch offices and for updating the taxpayer register. The MOR has procedures to update and maintain the accuracy of the taxpayer register, and these are routinely applied. Data cleansing is conducted quarterly. Taxpayers who have not filed for three months are deactivated whilst those who have not filed for three years are deregistered. In addition, registration information is triangulated with the MTRI and DARS on an annual basis to ensure the accuracy of the registration information in SIGTAS. However, no audits have been conducted on the registration database and no management reports exist confirming its accuracy.

P1-2: Knowledge of the potential taxpayer base

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

Table 3. P1-2 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	D	A

The MOR systematically uses third-party information to detect unregistered businesses and individuals. The MOR uses third-party information to identify unregistered individuals and businesses. The MOR's annual action plan for 2023 specifies a range of activities to detect unregistered and non-compliant taxpayers. Unregistered taxpayers are also identified through taxpayer education and sensitization programs. The Tax Information Unit in the Tax Information and Cash Registration Machine Administration Directorate gathers a wide range of 3rd party data from taxpayers, industries, and government entities, which is also shared with the Compliance Risk Management Directorate. All branches and regional offices have cash register officers and cash register inspectors who conduct a program of inspections. Sales data from the cash register system, customs data, and purchase transactions made by registered taxpayers obtained from the Tax Administration Support System (TASS) are analysed and used to identify nonregistered taxpayers. Additionally, the registration quality assurance unit as part of the revenue enhancement program, generate monthly reports to identify taxpayers with a turnover of one million Birr who are not registered for VAT. These taxpayers are then registered for VAT and notified via email or SMS. The results are monitored against the annual action plan and reported in the MOR's annual report.

POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and
- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration). For TADAT purposes, institutional risk is divided into two components. These are:
 - *Operational risk*—refers to disruptive actions that destroy or affect part or all of the administration’s assets and resources, such as buildings, IT, and other equipment, data and records; and
 - *Human capital risk*—refers to interruptions that affect the tax administration arising out of capability, capacity, compliance, cost and connection (engagement) gaps of and by its employees.

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Five performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Management of operational (i.e. systems and processes) risks.
- P2-7—Management of human capital risks.

P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess: (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons

underlying the assessment.

Table 4. P2-3 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.	M1	D	D	C	D
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		D		D	

The Risk and Law Enforcement Strategy Directorate, reporting under the Tax Compliance Division, utilizes internal data sources to build knowledge on compliance levels, and current and emerging risks. The undertaking of an environmental scan of the external factors that may impact the tax system in Ethiopia is not something done within the MOR. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations across the core taxes is limited mainly to internal sources. The internal sources utilized include analysis of information included in tax declarations and findings from audit activities. As the Directorate has staff in each branch office, intelligence is also sent to HQ regularly from the branches where it is examined and used to provide a view of the risk picture. The only external sources of data collected regularly include that accessed from Customs, which is available through MOR's data warehouse, and purchase data sent in by taxpayers as part of the Tax Administration Support System program. Information is also gathered as part of the MOR's fiscal register program, and this is also available through the data warehouse but only in summarized form. The extent of how this external data is used to identify compliance risks within the broader taxpayer community is limited as available data is mostly used as part of the individual taxpayer risk assessment and/or as part of audit activities on selected taxpayers.

While a separate Research and Development Directorate, tasked with undertaking compliance-related research into topical areas, is in place, they have not undertaken any studies on taxpayer compliance behavior. No finalized reports were identified, but an examination of compliance in the construction industry is planned for this year (FY 2024-2025). Further specific studies planned for this year include the compliance impact of audit activities and loss position filers for Corporate Income Tax. This Directorate has never studied overall taxpayer compliance behavior, but a study on this is being considered. This is expected to assist in determining the extent of non-compliance with basic obligations in Ethiopia.

A Compliance Risk Management Framework (April 2019) presents MOR's structured approach to the risk assessment process, however, it does not assess and prioritize compliance risks for all core taxes. The framework outlines all required elements for such an approach, including risk identification, rating, mitigation strategy development, committee structures, and governance arrangements. Within the MOR, a Risk Champion Committee chaired by the head of the Tax

Compliance Division is in place and meets regularly. No evidence was provided that compliance risks are identified and assessed for each core tax, but emphasis was evident on the main compliance obligations of registration, filing, payment, and correct reporting. The link with a multi-year approach to assess and prioritize compliance risk was also not evident. Industries of economic importance, including construction and manufacturing, have been identified as being problematic with their general obligations when it comes to compliance, but specific risks for each of these areas are yet to be identified.

P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

Table 5. P2-4 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	D	C

Although a compliance improvement plan (CIP) is developed, it is missing some of the key features of such a plan. Although a general compliance plan does exist, given the work undertaken as part of the CRM Framework, it falls short of including many of the requirements such an organizational-wide plan should contain. It does not separately address all core taxes and their compliance obligations, and no specific detail was found that related to the different taxpayer segments. Resourcing is not fully assigned within the plan, but the plan is monitored by MOR senior leadership as part of monthly reporting.

P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate compliance mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying the assessment.

Table 6. P2-5 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D	D

While a Risk Champion Committee was established within the MOR, and approves compliance strategies proposed by the Risk Directorate, it does not undertake all the required roles. The Committee plays no role in the monitoring of activities undertaken and their impact on compliance risks. This role is undertaken as part of the MOR's general senior management oversight, which brings into question the rigor involved. While reports of activities undertaken at the branch level, as part of the MOR's Compliance Strategy, are produced on a monthly, quarterly, and yearly basis, the Risk Champion Committee does not undertake any evaluation on their effectiveness in achieving the desired outcome, which is improved compliance.

P2-6: Management of operational risks

This indicator examines how the tax administration manages operational risks other than those related to human resources. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

Table 7. P2-6 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P2-6-1. The process used to identify, assess and mitigate operational risks.	M1	D		D	
P2-6-2. The extent to which the effectiveness of the business continuity program is tested, monitored, and evaluated.		-		D	

The MOR does not have a structured process for the targeted identification, assessment, and mitigation of operational risks. No properly structured and risk-rated register for operational risks has been completed. Presently, each MOR directorate identifies and manages its own risks. A holistic enterprise approach to assess, prioritize, or treat specifically operational risks is not in place. This process led to a documented inventory of 12 existing risks, which also includes IT and HR risks. However, the document only summarizes and describes potential risks under each functional area, while further minimum information required for risk registers, such as likelihood of occurrence, degree of effect, mitigation measures, name of risk owner, and risk status, are not part of that document and could not be provided by MOR. A business continuity management framework does exist, which, in general terms, describes the phases of the business continuity management lifecycle, including the relevance of a business impact analysis, risk assessments and a business continuity plan (BCP). However, no evidence could be provided if or how the MOR actually applies and updates these processes at regular intervals in practice.

MOR has no documented BCP. There is neither a documented BCP in place nor monitoring or evaluation activities of the implementation progress and the assessment of effectiveness of a business continuity management program.

P2-7: Management of human capital risks

This indicator examines how the tax administration manages human capital risks. The assessed score is shown in Table 8 followed by an explanation of reasons underlying the assessment.

Table 8. P2-7 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks.	M1	-		D	
P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.		-	-	D	D

The MOR does not have the capacity and structures to manage Human Capital Risks (HCRs). An HR Risk Analysis Report is in place, which identifies and presents 14 HR-related risk areas in a comprehensive HR risk register. The register includes information on the following aspects: risk description, causes of identified risk, probability of occurrence of the risk, level of impact of risk, resolution of risk, and time taken by the risk owner to address the risk. Another document prepared by the MOR identifies key risk areas and mitigation strategies for a successful implementation of a human capital transformation strategic plan. However, no evidence was provided by the MOR that designated HR staff have undertaken any capacity-building and training activities in human capital risk. To date, MOR managers and supervisors have not been trained to understand HCRs and their impact on operations of the MOR. Further, the MOR has no operational governance structure responsible for reviewing HR risks and providing direction on mitigation measures. No review of the HR operations and systems has been conducted by an independent third party so far. The MOR operates an annual performance evaluation process for all staff, with staff receiving mandatory feedback every six months from their manager.

No regular formal evaluations of the HCR and related mitigation interventions are being conducted. In 2018, the MOR conducted a survey among employees to analyze weaknesses and HR-related risks. The report included an HR risk register with various detailed descriptions and risk mitigation interventions for each identified risk category. However, such surveys have not been repeated at regular intervals since then. In addition, no impact analysis was carried out to evaluate the efficacy of risk-mitigating interventions. The MOR's annual operations report covers HR-relevant topics of strategic importance such as the competitiveness of the ministry in the labor market, but there is no dedicated section that deals specifically with human capital risks and results of their formal assessment.

POA 3: Supporting Voluntary Compliance

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record-keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

Four performance indicators are used to assess POA 3:

- P3-8—Scope, currency, and accessibility of information.
- P3-9—Time taken to respond to information requests.
- P3-10—Scope of initiatives to reduce taxpayer compliance costs.
- P3-11—Obtaining taxpayer feedback on products and services.

P3-8: Scope, currency, and accessibility of information

For this indicator four measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

Table 9. P3-8 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P3-8-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	M1	-		C	
P3-8-2. The degree to which information is current in terms of the law and administrative policy.		-	C	C	C
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		-		A	

Information is available on the main areas of taxpayer rights and obligations for all core taxes, but it is not tailored to the needs of other key taxpayer segments, economic sectors, or disadvantaged groups. Based on the information provided and field observation, the MOR provides information and support to taxpayers, particularly through their Taxpayers Education Unit (TEU). Information is also available on the MOR's website. In addition to the website, the MOR also uses the You-Tube, Facebook, and Telegram to display critical information and to explain the taxpayers' obligations. A dedicated call center is in place to assist taxpayers with queries and concerns. Although guidelines include record keeping for small taxpayers, information is not tailored to the needs of other key taxpayer segments, economic sectors, or disadvantaged groups.

Updates on changes to tax information are often done after the law has been promulgated. The MOR conducts seminars to inform taxpayers of the changes to the law and their obligations. However, no evidence was submitted of an established procedure for updating tax information. Technical staff are responsible for updating information materials for taxpayers. Taxpayers are informed of changes to the tax law once, following the release of a proclamation.

The MOR has several channels through which it provides information and education programs and guidance to taxpayers at no cost. Such interactions are conducted as part of a planned process, with others being delivered on an ad hoc basis. These channels are provided at no cost and include MOR website; walk-in enquiry areas; call center, brochures, written clarifications; and a monthly MOR publication. A suggestion box is also installed at each branch to capture feedback. The MOR leverages media such as television and radio to inform a broad spectrum of taxpayer groups. In addition, tax educational programs across different academic levels covering primary, secondary, and tertiary levels have been developed. A tax training calendar has also been produced.

P3-9: The time taken to respond to requests for information.

This indicator examines how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performance in information requests generally). Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

Table 10. P3-9 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	B	A

The MOR operates a dedicated call center that includes a toll-free line, and evidence shows that all (100 percent) calls are answered within six minutes. This was tested by three separate calls made at different times of the day on different days by the assessor, which were answered in less than

six minutes. The call centre is staffed with 19 well-trained and experienced revenue officers who handle an average of 669 calls per month, and a twelve-months call volume of 8030.

P3-10: Scope of initiatives to reduce taxpayer compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

Table 11. P3-10 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	-	C

While simplified recordkeeping and returns filing are available for small taxpayers, and the MOR routinely analyzes frequently asked questions (FAQs) and common misunderstandings of the law, pre-filing of tax returns is not present. Even though the MOR operates the cash registers and the SIGTAS, which could both provide capabilities for prefilling, the MOR does not provide prefilled tax declarations. Taxpayers or their authorized agents do not have 24-hour access to their tax account details. The MOR has procedures in place to handle FAQs and other suggestions received through the suggestion box. These are routinely analyzed to improve information products. The MOR also organizes workshops in which the FAQs are formally addressed with taxpayers. In addition, workshops are also organized for newly registered taxpayers to help them through their tax obligations.

P3-11: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

Table 12. P3-11 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	-	-	B	D

P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		-	-	D	
---	--	---	---	---	--

The MOR has various channels and mechanisms to solicit feedback from taxpayers on products and services, and taxpayer perception surveys are conducted regularly but in-house. Taxpayers provide feedback through emails, telephone, WhatsApp, social media website, and service centers, as well as through a variety of regular stakeholder meetings and public forums such as tax education forums, tax seminars, and outreach programs. Statistically valid perception surveys are handled at the branch level every six months and annually at Headquarters (HQ) by the Research and Development unit. The surveys are based on a statistically valid sample of key taxpayer segments and stakeholders and are conducted by MOR annually.

The MOR does not regularly consult with key taxpayer groups and intermediaries to identify deficiencies in administrative processes and products. The MOR advised that they obtain feedback from the taxpayers and stakeholders. However the process is unstructured, and no evidence was provided to support this assertion. Although MOR indicated that it had engagements with stakeholders to consult on areas of improvement, no evidence was provided to show written feedback from taxpayers or intermediaries on deficiencies, new processes, or products.

POA 4: Timely Filing of Tax Declarations

Filing of tax declarations remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filing tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

Three performance indicators are used to assess POA 4:

- P4-12—On-time filing rate.
- P4-13—Management of non-filers.
- P4-14—Use of electronic filing facilities.

P4-12: On-time filing rate

A single performance indicator, with four measurement dimensions, is used to assess the on-time filing rate for CIT, PIT, VAT and domestic excise tax, and PAYE withholding declarations. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

Table 13. P4-12 Assessment

Measurement dimensions	Scoring Method	Score 2016	Score 2024_
P4-12-1. The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers.	M2	D	D
P4-12-2. The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers. ¹		D	-
P4-12-3. The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers.		D	D
P4-12-4. The number of domestic excise tax declarations filed by the statutory due date as a percentage of the number of declarations expected from registered domestic excise taxpayers.		D	D
P4-12-5. The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers.		D	D

Although the reported on-time filing for both CIT and VAT seems to be within the acceptable range, the data provided is not reliable. In particular, filing performance for large taxpayers for VAT appears to have improved considerably, which sees the percentage increase from 85 to nearly 96 percent from the figure recorded in 2021. The data provided in column C of Table 2, however, does not reconcile with the calculations in Tables 4 and 6.

Data provided for both domestic excise and PAYE is unreliable. The expected filing numbers (as

¹ PIT is not currently administered by the MOR.

per Table 2) vary substantially from those provided in Tables 8 and 9 (for domestic excise) and Table 10 (for PAYE). Further, the domestic excise data only reflects an annual figure, with no monthly breakdown of performance. PIT is not administered by the MOR.

P4-13: Management of non-filers

This indicator measures the extent to taxpayers who have failed to file declarations when due are managed. The assessed score is shown in Table 14 followed by an explanation of reasons underlying the assessment.

Table 14. P4-13 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P4-13. Action taken to follow up non-filers.	M1	-	D

The MOR identifies and follows up non-filers within 7 days, but the entire process is not automated. Tax declarations for all core taxes are filed online. Non-filer reports are generated from the SIGTAS by the tax collection team and exported to the non-filers' tracker file, which is outside the SIGTAS. Estimated assessments and late filing penalties are assessed for VAT, PAYE, and domestic excise. The MOR has dedicated staff that monitors filing compliance, and documented procedures are available to guide the staff. However, reminders to taxpayers on filing due dates are not system-generated.

P4-14: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

Table 15. P4-14 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P4-14. The extent to which tax declarations are filed electronically.	M1	D	B

While electronic filing is deemed to be mandatory for all core taxes, there is inadequate compliance with this requirement. The use of electronic filing systems is said to be mandatory, but this is not enforced because it is understood that internet facilities are not available to all taxpayers. Based on the statistics provided in the pre-assessment questionnaire Table 11, 74 percent of CIT, 71 percent of VAT, 80 percent of PAYE, and 90 percent of domestic excise made use of electronic filing.

POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Four performance indicators are used to assess POA 5:

- P5-15—Use of electronic payment methods.
- P5-16—Use of efficient collection systems.
- P5-17—Timeliness of payments
- P5-18—Stock and flow of tax arrears.

P5-15: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P5-15. The extent to which core taxes are paid electronically.	M1	D	D

Electronic payment options are available but not adequately utilized. Electronic payment options such as internet banking, E-portal, and mobile payments are available for all core taxes and are mandatory. However, most tax payments are not paid electronically. Taxpayers either visit or instruct the banks to make payments to the MOR. About 21 percent of the value of core taxes collected are paid electronically, whilst for large taxpayers, an average of 20 percent of the value of core taxes are electronically paid. Refer to Table 11 at Attachment III.

P5-16: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

Table 17. P5-16 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P5-16. The extent to which withholding at source and advance payment systems are used.	M1	D	A

Withholding at source and advance payment arrangements are in place. The Tax administration Proclamation 979/2016, Article 88 provides for advance payments for CIT and Article 92 stipulates withholding at source for employment income. Non-compliance incurs penalties and interest. Additionally, Article 90 stipulates withholding of tax from the gross amount of the royalty, dividends, interest and profit at a rate specified in the Articles.

P5-17: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, VAT payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

Table 18. P5-17 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P5-17-1. The number of VAT payments made by the statutory due date in percent of the total number of payments due.	M1	D		D	
P5-17-2. The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.		D	D	D	D

While the reported number of VAT payments made by due date meets good practice, the value of VAT payments made by the due date is low. The Federal Tax Administration Proclamation 983/2016 requires all registered taxpayers to file their VAT returns and make payments, including for periods of nontaxable activity, within 30 days or one month following the end of the tax period. The data in Table 12 of the pre-assessment questionnaire in Attachment III indicates that 93 percent of all VAT payments due and 95 percent by large taxpayers were paid on time. However, the value of VAT payments by the due date for all VAT taxpayers was 65 percent and 67 percent for large taxpayers, respectively. It is not surprising to see the value of payments being higher with the number of payments being low. This can be explained by the fact that large taxpayers tend to account for the

bulk of the value of payments. This inconsistency could not be explained by the authorities, leading to the conclusion that the data cannot be relied upon.

P5-18: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.² A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 19 followed by an explanation of reasons underlying the assessment.

Table 19. P5-18 Assessment

Measurement dimensions	Scoring Method	Score 2016	Score 2024
P5-18-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	M2	D	B
P5-18-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		D	C
P5-18-3. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears.		D	B

The ratio of total core tax arrears to total revenue collections is low. The data provided in the pre-assessment questionnaire's Table 13 in Attachment III indicates a ratio averaging 17 percent for the most recent three fiscal years.

The ratio of the value of collectible core tax arrears to total revenue collections is high. Based on the data provided in the pre-assessment questionnaire Table 13, the average ratio of the value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections was 10.5 percent, reflecting a weak performance relative to international good practice.

² For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

The ratio of the value of core arrears more than 12 months old as a percentage of the value reflects a sound performance. Tax arrears data in Table 13 of the pre-assessment questionnaire shows that the value of core arrears more than 12 months old as a percentage of the value of all core tax arrears was an average of 43 percent and below the 50 percent ceiling for sound performance.

POA 6: Accurate Reporting in Declarations

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have a far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders reminds taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third-party information. Because of the high cost and relatively low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. These include adoption of cooperative compliance approaches to build collaborative and trust-based relationships with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, four performance indicators are used to assess POA 6:

- P6-19—Scope of verification actions taken to detect and deter inaccurate reporting.

- P6-20—Use of large-scale data-matching systems to detect inaccurate reporting.
- P6-21—Initiatives undertaken to encourage accurate reporting.
- P6-22—Monitoring the tax gap to assess inaccuracy of reporting levels.

P6-19: Scope of verification actions taken to detect and deter inaccurate reporting.

For this indicator, four measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P6-19 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M1	C		B	C
P6-19-2. The extent to which the audit program is systematized around uniform practices.		-		B	
P6-19-3. The degree to which the quality of taxpayer audits is monitored.		-	-	B	
P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.		-		C	

The MOR has an annual national audit program, which covers all core taxes and key taxpayer segments, but no evidence was presented to demonstrate routine evaluation of impact on compliance. The identified audit cases for the upcoming fiscal year are selected centrally based on risk-level analysis of all taxpayers within each segment and based on feedback from the federal branches regarding their estimated audit capacities in the upcoming 12 months. This process does include an appropriate level of weighting for large taxpayers. In this regard, the risk directorate is centrally assessing risk levels for each taxpayer in each segment (large-, medium- and small taxpayers) and classifying taxpayers into one of three risk categories—high, medium, and low. Based on the MOR's observations and evaluations of applied audit types in previous fiscal years, the focus has shifted towards comprehensive audits, although other audit types are still envisaged in the audit program. A range of comprehensive, data matching, and desk audits are used as well as direct and indirect methodologies. No evidence was presented which demonstrates that MOR routinely evaluates the impact of audits on levels of taxpayer compliance.

While a comprehensive tax audit manual is in place, systematizing the program around uniform practices, only two special audit manuals exist, covering two sectors. Auditors are required to apply the procedures set out in the manual. The manual provides detailed guidance on audit procedures (including indirect audit methodologies) and the procedures (including prescribed audit

timelines) that must be followed at the planning, execution, and completion phase of a tax audit. Detailed guidance, such as on developing an audit plan, using various standardized templates for working papers, and advising taxpayers of audit finding and dispute rights are provided in the manual. Seven sector-specific audit methodology guidance notes (such as for finance, agriculture, and mining) are also incorporated into the audit manual. In addition, two separate comprehensive audit manuals exist reflecting procedures and risks specific to i) the construction sector and ii) the manufacturing sector. The current audit manual was updated in May 2019. An update process is currently being conducted but the document has not been finalized yet.

The quality of taxpayer audits is reviewed regularly but reports are not issued on a regular basis. The quality control system has two tiers: i) pre-issuance quality control review by audit management at branches before tax audit closure, and ii) selected samples for post-audit review of quality assurance after the audit process is closed. For the latter, a tax audit quality assurance review (TAQAR) team under the tax compliance division monitors audit quality, adherence to documented audit procedures and findings are acted upon. The responsible team, on a regular basis, identifies samples of closed tax audits by respective branches and review, based on documented procedures and an existing checklist of 25 review elements, whether quality standards were maintained during the tax audits. Due to limited resources, reports for each branch with findings and observations of the audit quality assurance monitoring exercise are prepared approximately every 1-2 years.

MOR's senior leadership routinely monitors and assesses the effectiveness of significant elements of the audit function, however, they do not survey taxpayers on their experiences with the auditors. MOR prepares monthly management reports, which include comprehensive information and measurements of the performance of the tax audit function, such as audit cases completed compared to audit cases and amounts planned during the month, the time required for completed tax audits, auditors assigned to each case, amounts assessed per each core tax, reassessed audit cases as per certain tax administration proclamations. The MOR further monitors audit cases that need to be reassessed in the underlying month due to tax objections or appeals. The reports also contain additional information on emerging challenges in the context of ongoing tax audits, and appropriate solutions or corrective measures are formulated as part of the monthly performance report.

The MOR conducts regular surveys on the satisfaction level of its taxpayers' perception on MOR services. However, tax audit services represent only a minor portion of the survey, and no evidence was provided that the MOR routinely surveyed audited taxpayers to explicitly review the professionalism and competence in the performance of audits.

P6-20: Use of large-scale data-matching systems to detect inaccurate reporting.

For this indicator, one measurement dimension provides an indication of the extent to which the tax administration leverages technology to screen large numbers of taxpayer records against third-party information to detect discrepancies and encourage correct reporting. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P6-20 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M1	D	D

The MOR does not have a large-scale automated cross-checking process or system to verify information reported in tax declarations. Requests to third parties for the verification of tax information must be submitted manually and, on a case-by-case basis by the MOR.

P6-21: Initiatives undertaken to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 22 followed by an explanation of reasons underlying the assessment.

Table 22. P6-21 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	D	D

While the Ministry of Finance provides guidance notes from time to time, there was no evidence of a system of producing binding public and private rulings. The MOR provided evidence that the responsibility to interpret legislation sits in the Ministry of Finance and they do issue guidance, from time to time, on a number of issues, there was no evidence of public or private rulings having been issued by the Ministry of Finance (MOF) on their website to encourage accurate reporting.

P6-22: Monitoring the tax gap to assess inaccuracy of reporting levels

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

Table 23. P6-22 Assessment

Measurement dimensions	Scoring Method	Score 2016	Score 2024
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	D	D

The MOR does not monitor the extent of inaccurate reporting using appropriate methodologies at regular intervals. No evidence was provided that the MOR uses methodologies for estimating tax gaps covering at least VAT. Although the IMF carried out a value-added tax gap estimation in Ethiopia in 2019, there is no indication and evidence that the externally conducted VAT gap estimate study influenced the design of compliance interventions within the MOR to improve the accuracy of reporting.

POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

Three performance indicators are used to assess POA 7:

- P7-23—Existence of an independent, workable, and graduated dispute resolution process.
- P7-24—Time taken to resolve disputes.
- P7-25—Degree to which dispute outcomes are acted upon.

P7-23: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

Table 24. P7-23 Assessment

Measurement dimensions	Scoring Method	Score 2016	Score 2024
P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	C	A
P7-23-2. Whether the administrative review mechanism is independent of the audit process.		D+	A

P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		D		A	
--	--	---	--	---	--

The MOR has a tiered review mechanism in place and used by taxpayers. The tax dispute process is outlined in the organization’s Dispute Resolution Procedure Manual 2022 and provides for three levels of escalation. The first level is a taxpayer’s right to submit an objection within 21 days of an assessment being issued. This first level results in a “hearing” being conducted to determine the outcome of the objection. The second stage involves a taxpayer, within 30 days, seeking a review by a specially formulated Tax Appeal Commission - an external body to the MOR. The last stage is where the matter can be referred under the judicial system to the Ethiopian High Court. Based on the number of first-level disputes contained in Table 14, taxpayers use the process.

The review mechanism is independent of the audit process. The MOR’s Tax Appeal Office oversees the first level objection process with the Legal Services Directorate taking over responsibility for both the Tax Appeal Commission and any judicial cases. The MOR’s Tax Appeal Office, who oversee the first-level objection process, is organizationally located within the Tax Operation Division, which is separate from the Tax Audit Directorate, part of the Tax Compliance Division. The Tax Appeal Office is physically located both in the Headquarters and within each branch. Specially established objection hearing rooms can be found both at Headquarters and in the branches.

Procedures are contained in the Dispute Resolution Procedure Manual 2022. Officers employed within the Tax Appeal Office receive both initial and on-going training in the dispute process. As part of the Auditor General’s annual review of MOR operations, the Tax Appeal Office has been subject to a performance audit, but no report was provided.

General information on taxpayer dispute rights and the process involved is publicly available. Relevant proclamations (53-55) can be found on the MOR website. Taxpayer assistance staff at each branch office can assist taxpayers in understanding their rights and the process involved. Audit procedures (case close phase) specifically instruct the auditor to explain to the taxpayer their rights of dispute. The formal notice of assessment contains information on the dispute process on the back page. A copy of the formal outcome of the objection hearing then informs taxpayers of their right to proceed to the Tax Appeal Commission and any assistance required for this is the responsibility of the Legal Services Directorate.

P7-24: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P7-24 Assessment

Measurement dimensions	Scoring Method	Score 2016	Score 2024
P7-24. The time taken to complete administrative reviews.	M1	D	C

The management of MOR's disputes processes is relatively sound. This results in dispute hearings being organized expeditiously but finalization of disputes falls marginally short of what is sound performance (see Attachment III, Table 14), with 87.4 percent of cases finalized within 60 days (90 percent required to achieve sound performance).

P7-25: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 26 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	D	D

MOR monitors dispute outcomes, however, no evidence was made available where this had previously occurred and had resulted in policy and/or law changes. This role is performed by the Tax Appeal Review Office for objections and the Legal Service Directorate for Tax Tribunal and High Court cases, where matters of law interpretation are examined. Not all dispute outcomes are examined – only those representing significant issues. The Tax Appeal Review Office reports on objection cases where administrative procedures have been questioned; however, no evidence was made available where this had occurred and changes to procedures were recommended. The Legal Services Directorate liaises with the Legislation and Policy Department within the MOF where cases have highlighted a weakness in the law – however, no evidence was made available where this had previously occurred and had resulted in policy and/or law changes.

POA 8: Efficient Revenue Management

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising the government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)³
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-26—Contribution to government tax revenue forecasting process.
- P8-27—Adequacy of the tax revenue accounting system.
- P8-28—Adequacy of tax refund processing.

P8-26: Contribution to government tax revenue forecasting process

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 27 followed by an explanation of reasons underlying the assessment.

Table 27. P8-26 Assessment

Measurement dimensions	Scoring Method	Score 2016	Score 2024
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	D	D

The MOR demonstrated no involvement in the government’s revenue forecasting and estimation process. Revenue collection targets are set by the Ministry of Finance, and MOR develops plans to deliver the revenue targets set. Historic revenue collection reports are submitted to the Ministry of Finance and other stakeholders with explanations of variances from revenue targets set for the year. Revenue reports include amounts of tax expenditures on exempt income by branch and by industry. Ten percent of revenue collections is withheld to pay refunds.

³ It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

P8-27: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 28 followed by an explanation of reasons underlying the assessment.

Table 28. P8-27 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	D	D

The MOR's SIGTAS is not interfaced with the MOF's Integrated Financial Management

Information System (IFMIS). Tax payments are made at the bank and posted on the taxpayer ledger within one day. Reconciliations of mis-postings are also done daily. No evidence of regular internal audits conducted to ensure that the accounting system aligns with the tax laws was provided.

P8-28: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing VAT refund claims. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

Table 29. P8-28 Assessment

Measurement dimensions	Scoring Method	Score 2016	Score 2024
P8-28-1. Adequacy of the VAT refund system.	M2	D	A
P8-28-2. The time taken to pay (or offset) VAT refunds.		D	B

The VAT refund system is adequate and aligned to good international practice. VAT refunds are subjected to predetermined risk profiling while priority is given to exporters, diplomats and other entities not required to pay tax. The VAT refund system provides for timely payment of refunds with adequate risk-based verification before payment. In terms of the Council of Ministers Value Added Tax Regulations No. 79/2002, any credit balance of VAT charged for an accounting period is to be carried forward to the next five accounting periods and credited against tax payable for those periods. After the end of the five periods, the taxpayer can apply for a refund of unused credits. The Federal Tax Administration Proclamation No. 983/2016 provides that the MOR shall first apply the unpaid credits towards the payment of other taxes due from the taxpayer before refunding the excess VAT. The VAT Regulations also provide for payment of interest at the highest commercial lending rate for any refund not paid within 45 days of the taxpayer's application being approved. An amount equal to 10 percent of the revenue is set aside to pay refunds, and this is adequate within the statutory period. Preferential

treatment is given to refund claims by importers and embassies not required to pay VAT, and these are paid within seven days of application.

The time taken to pay refunds is relatively short and demonstrates sound performance. Information provided in Table 15 of the pre-assessment questionnaire shows that 82 percent of the number and 83 percent of the value of VAT refunds received during the 12 months to June 2024 were paid within 30 days. The risk management team demonstrated the risk profiling process during the TADAT team's field visit. High-risk refunds are sent for comprehensive audits, while medium-risk refunds are sent for pre-refund desk verification.

POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the public.

Four performance indicators are used to assess POA 9:

- P9-29—Internal assurance mechanisms.
- P9-30—External oversight of the tax administration.
- P9-31—Public perception of integrity.
- P9-32—Publication of activities, results, and plans.

P9-29: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 30 followed by an explanation of reasons underlying the assessment.

Table 30. P9-29 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P9-29-1. Assurance provided by internal audit.	M2	C	C+	C	D+
P9-29-2. Staff integrity assurance mechanisms.		B		D	

MOR's Internal Audit Directorate reports directly to the Minister but does not undertake systems audits and does not maintain a central repository of internal control policies, processes and procedures. The audit team also maintain close links to the MOF's Internal Audit Department but

do not report to them. The Directorate prepares an annual plan that is approved by the Minister, and this covers a wide range of operational performance checks (including verifying adherence to internal controls), and financial audits. No evidence was made available that the Internal Audit Directorate undertook information systems audits. Each Directorate at HQ maintains its own internal control register, and these are also reflected at the branch level.

While operating as a government ministry, MOR has its own separate Code of Ethics. The code has been tailored and is different to other civil service codes due to the unique work undertaken with the ministry. The document is comprehensive and addresses topics such as professional conduct, values, and principles. All staff receive initial training in the code and continuation training is undertaken from time to time but not as part of an annual training plan.

The MOR's Organizational Risk and Ethics Directorate is responsible for internal affairs but the staff of this Directorate do not have any special legal powers when it comes to conducting investigations. This Directorate reports directly to the Minister. Staff receive training specific to the work they undertake to promote the organization's code of ethics and in conducting investigations where the code has been breached. Elements of this training have been delivered by the Ethiopian Federal Police, but staff of the Directorate do not have any special legal powers when it comes to conducting investigations. Cooperation with both the Anti-Corruption Commission and the Federal Police is undertaken with appropriate matters being referred to as necessary.

A Standing Disciplinary Committee convenes all matters referred to them by the Directorate. Monthly reports are produced for the Minister as well as an annual report showing the outcomes of investigations undertaken which include the number of verbal or written warnings issued, staff dismissals, and cases referred for further investigations.

P9-30: External oversight of the tax administration

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 31 followed by an explanation of reasons underlying the assessment.

Table 31. P9-30 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	C	C	B	C+
P9-30-2. The investigation process for suspected wrongdoing and maladministration.		C		C	

An annual audit of the MOR's financial and operational performance is undertaken by the Auditor General but responses to the audit findings are not publicly reported. Findings, along with any recommendations for improvement, are presented, and the MOR is given the opportunity to make a response. Although the Auditor General's report is presented to Parliament it does not include MOR responses to any findings. Findings from each year's audit are also summarized in the MOR's Annual Report.

While a dedicated Tax Ombudsman routinely investigates complaints made by taxpayers against the MOR, no statistics were provided of the number of cases investigated. Further, there was no evidence of recommendations made to address systemic problems. The Anti-Corruption Commission in Ethiopia works closely with the MOR's Ethics Directorate. All cases involving corrupt behavior by MOR officials are referred to the Commission. Statistics on the number of referrals are contained in MOR's Annual Report along with the resulting outcome of the case.

P9-31: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 32 followed by an explanation of reasons underlying the assessment.

Table 32. P9-31 Assessment

Measurement dimension	Scoring Method	Score 2016	Score 2024
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	C	C

Internal public perception surveys are conducted annually using a statistically valid sample of the taxpayer population, but not by independent third parties. Survey questions mainly focus on service delivery, with two questions on integrity. Survey results are shared with departments within three months, and plans are developed to address issues raised in the surveys. However, the survey report is not published within six months. The MOR works with other government institutions like the National Quality Award Board and participates in anti-corruption surveys, but these are not specific to the MOR's operations.

P9-32: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 33 followed by an explanation of reasons underlying the assessment.

Table 33. P9-32 Assessment

Measurement dimensions	Scoring Method	Score 2016		Score 2024	
P9-32-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	M2	D		D	
P9-32-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.		D	D	C	D

A comprehensive report of the MOR's operational performance is prepared within six months and posted on the website but does not include the financial statements. The assessment team was advised that the operational performance report is presented to the Council of Ministers and Parliamentary Committee by the Minister of Revenues within a year, depending on the Parliamentary calendar. The operational performance report for 2024 was developed by the end of July 2024 and shared with the Ministry of Finance, Prime Minister's Office, and Planning Unit. It had, however, not been made public at the time of the assessment.

Strategic and operational plans are not published within three months of the period they cover. The ministry is currently implementing its 10-year strategic plan for 2020 to 2030. Following the Government's principle of one plan and one report for the medium term, the operational plans and report for the following year are prepared concurrently with the report for the previous year. A draft consolidated report for 2024 and plan for 2025 were shared but not yet put up on the website.

Attachment I. TADAT Framework

Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.
2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.
3. **Supporting voluntary compliance:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.
4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.
5. **On-time payment of taxes:** Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.
6. **Accurate reporting in declarations:** Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.
7. **Effective Tax Dispute Resolution:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.
8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.
9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.



Indicators and associated measurement dimensions

A set of 32 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 55 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and five measurement dimensions.

Repeated assessments will provide information on the extent to which a country's tax administration is improving.

Scoring methodology

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 55 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

Method M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

Method M2 is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

Attachment II. Ethiopia: Country Snapshot

Geography	The Federal Democratic Republic of Ethiopia is located in the Horn of Africa. Ethiopia has a total area of 1,127,127 sq km and the latitude and longitude for the country are 9.4969° N, 36.8961° E. It is bordered by Eritrea to the north and northeast, Djibouti and Somalia to the east, Sudan and South Sudan to the west, and Kenya to the south. Addis Ababa is the capital city of Ethiopia.
Population	126.5 million [2023]. (Source: _World Bank)
Adult literacy rate	52 percent of people aged 15 and over can read and write. (Source: World Bank)
Gross Domestic Product	US\$163.7 million (2023_ nominal GDP: (Source: World Bank)
Per capita GDP	US\$1,293.8. (2023) (Source: World Bank)
Main industries	Commercial agriculture; food processing; Construction; mining and energy; manufacturing; tourism. (Source: World Atlas, Ethiopian Economy Profile 2024)
Communications	- Internet users per 100 people: 17 (2021). - Mobile 'phone subscribers per 100 people: 56(2022). (Source: e.g., World Bank)
Main taxes	CIT, PAYE, VAT, and Excise
Tax-to-GDP	6.8 percent in 2022/23, excluding Customs tax collections (7.3 percent including customs). (Source: IMF)
Number of taxpayers	CIT (35817); PAYE (355); VAT (30581), and Domestic Excise Taxes (733)
Main collection agency	Ministry of Revenues
Number of staff in the main collection agency	5,131 as at July 2024 - at the HQ and federal branch offices. (2,300 male and 2,831 female).
Financial Year	July – June

Attachment III. Data Tables

A. Ministry of Revenue Tax Collections [Federal]

Table 1. Tax Revenue Collections ¹			
	[2021]	[2022]	[2023]
National budgeted tax revenue forecast²	164,293.05	205,204.91	266,952.79
Total tax revenue collections	166,753.09	196,211.64	264,345.95
Corporate Income Tax (CIT)	66,135.13	75,592.52	89,836.95
Pay As You Earn (PAYE)—Employment Income Tax	17,684.25	22,331.34	29,366.22
Value Added Tax (VAT) net ³	****	****	****
- Value-Added Tax (VAT)—gross domestic collections	51,789.58	60,717.64	97,216.36
- Value-Added Tax (VAT)—collected on imports	39,111.76	51,190.52	64,592.18
- Value-Added Tax (VAT)—refunds paid	5294..88	6851.17	4924.90
Excises—domestic transactions	18,899.56	21,670.66	27,792.41
Excises—collected on imports	9,647.50	12,638.74	15,106.48
Other domestic taxes ⁴	12,244.57	15,899.48	20,134.02
<i>Total Core tax Collections</i>	<i>154,508.52</i>	<i>180,312.16</i>	<i>244,211.94</i>
In percent of total tax revenue collections			
Total tax revenue collections	100	100	100
Corporate Income Tax (CIT)	39.66	38.53	33.98
Pay As You Earn (PAYE)—Employment Income Tax	10.61	11.38	11.11
Value Added Tax (VAT) net			
- Value-Added Tax (VAT)—gross domestic collections	31.06	30.95	36.78
- Value-Added Tax (VAT)—collected on imports			
- Value-Added Tax (VAT)—refunds paid	(—)	(—)	(—)
Excises—collected on domestic transactions	11.33	11.04	10.51
Excises—collected on imports			
Other domestic taxes	7.34	8.10	7.62
<i>Total Core tax Collections</i>	<i>92.66</i>	<i>91.90</i>	<i>92.38</i>
In percent of GDP			
Total tax revenue collections			
Corporate Income Tax (CIT)			
Pay As You Earn (PAYE)—Employment Income Tax			
Value Added Tax (VAT) net			
- Value-Added Tax (VAT)—gross domestic collections			
- Value-Added Tax (VAT)—collected on imports			
- Value-Added Tax (VAT)—refunds paid	(—)	(—)	(—)
Excises—collected on domestic transactions			
Excises—collected on imports			
Other domestic taxes			
Nominal GDP in local currency			
Explanatory notes:			
¹ This table gathers data for the three latest fiscal years (2021 - 23) in respect of all domestic tax revenues collected by the tax administration at the national level, plus VAT and excise tax collected on imports by the customs and/or other agency.			
² This forecast is normally set by the Ministry of Finance (or equivalent) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used.			
³ Value Added Tax = (gross domestic VAT collected + VAT collected on imports) – VAT refunds paid			
⁴ Other domestic taxes collected at the national level by the tax administration include, for example, property taxes, financial transaction taxes, and environment taxes.			

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register 2021-2023

(Ref: POA.1)

	Registered taxpayers ¹ [A]	Taxpayers otherwise not required to file ² [B]	Taxpayers Expected to File [C] = [(A) – (B)] ³	Memorandum items ⁴ [D]	
				New Registrations [D1]	Taxpayers deregistered during year [D2]
[2021]					
Corporate income tax	31,022	2,207	28,815		
PAYE withholding (# of employers)	383	383	0		
Value Added Tax	28,241	2,992	25,249		
Domestic excise tax ⁵	612	0	612		
[2022]					
Corporate income tax	33,002	2,115	30,887		
PAYE withholding (# of employers)	356	0	356		
Value Added Tax	29,986	2,422	27,564		
Domestic excise tax ⁵	676	39	637		
[2023]					
Corporate income tax	35,817	5,300	30,517		
PAYE withholding (# of employers)	355	0	355		
Value Added Tax	30,581	5,336	25,245		
Domestic excise tax ⁵	733	65	668		
Explanatory Notes:					
¹ A registered taxpayer who is in the tax administration's taxpayer database.					
² Taxpayers not required to file declarations' means taxpayers who are registered but are currently not required to file by law or regulation and are explicitly flagged in the automated tax administration system.					
³ Expected filing calculations to be used in Indicator P4-12.					
⁴ Taxpayer register activity information.					
⁵ For purposes of a TADAT assessment, the focus is on those registered domestic excise taxpayers who trade in goods/services that contribute 70 percent of the total domestic excise revenue by value.					

C. Telephone Enquiries

(Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time for Financial Year 2022-2023			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
July	710	707	99.6
August	572	570	99.7
September	660	656	99.2
October	933	931	99.8
November	605	599	99.0
December	560	556	99.3
January	766	760	99.0
February	609	606	99.5
March	640	632	98.5
April	586	580	98.7
May	580	577	99.4
June	809	802	99.0
12-month total	8030	7976	99.3

D. Filing of Tax Declarations

(Ref: POA 4)

Table 4. On-time Filing of CIT Declarations for Financial Year 2022- 2023			
	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
All CIT taxpayers	27,806	35,817	78.0
Large taxpayers only	714	731	98.0

Explanatory notes:

¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of CIT declarations that the tax administration expected to receive from registered CIT taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of CIT declarations filed by the due date}}{\text{Number of declarations expected from active CIT taxpayers}} \times 100$$

Table 5. On-time Filing of PIT Declarations for [insert most recently completed year, e.g., 2018]

Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
<p>Explanatory notes:</p> <p>¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p>² 'Expected declarations' means the number of PIT declarations that the tax administration expected to receive from registered PIT taxpayers that were required by law to file declarations.</p> <p>³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:</p> $\frac{\text{Number of PIT declarations filed by the due date}}{\text{Number of PIT declarations expected from active PIT taxpayers}} \times 100$		

Table 6. On-time Filing of VAT Declarations—All VAT taxpayers for Financial Year 2022- 2023

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July	20,062	26,753	74.9
August	2,364	2,575	91.8
September	2,293	2,541	90.2
October	20,786	26,571	78.2
November	2,588	2,759	93.8
December	2,586	2,756	93.8
January	21,867	27,365	79.9
February	2,678	2,826	94.7
March	2,684	2,833	94.7
April	22,018	27,378	80.4
May	2,727	2,886	94.4
June	2,740	2,907	94.2
12-month total	105,393	130,150	80.9

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from registered VAT taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of VAT declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered VAT taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of VAT declarations filed by the due date}}{\text{Number of declarations expected from active VAT taxpayers}} \times 100$$

Table 7. On-time Filing of VAT Declarations—Large taxpayers only for Financial Year 2022- 2023			
Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July	706	742	95.1
August	713	754	94.5
September	689	754	91.3
October	708	755	93.8
November	713	744	95.8
December	713	744	95.8
January	725	744	97.4
February	721	744	96.9
March	715	744	96.1
April	725	744	97.4
May	725	744	97.4
June	720	744	96.7
12-month total	8.573	8.957	95.7
Explanatory notes:			
¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).			
² 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from large taxpayers that were required by law to file VAT declarations.			
³ The 'on-time filing rate' is the number of VAT declarations filed by large taxpayers by the statutory due date as a percentage of the total number of VAT declarations expected from large taxpayers, i.e. expressed as a ratio:			
$\frac{\text{Number of VAT declarations filed by the due date by large taxpayers}}{\text{Number of VAT declarations expected from active large taxpayers}} \times 100$			

Table 8. On-time Filing of Domestic Excise Tax Declarations [for those excise tax goods/services categories contributing, by value, 70 percent of total domestic excise tax] for Financial Year 2022- 2023			
Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
Month 1			
Month 2			
Month 3			
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			
12-month total	690	733	94.0
Explanatory notes: ¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy) by registered domestic excise tax taxpayers who contribute up to 70 percent, by value, of the total domestic excise tax revenue. ² 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from registered domestic excise tax taxpayers (the focus is on those registered domestic excise taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value) that are required by law to file excise tax declarations. ³ The 'on-time filing rate' is the number of excise tax declarations filed by taxpayers by the statutory due date as a percentage of the total number of excise duties declarations expected from registered domestic excise tax taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value, i.e. expressed as a ratio: $\frac{\text{Number of domestic excise tax declarations filed by the due date}}{\text{No. of domestic excise tax declarations expected from active domestic excise tax taxpayers}} \times 100$			

**Table 9. On-time Filing of Domestic Excise Tax Declarations—Large taxpayers only
for Financial Year 2022- 2023**

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
Month 1			
Month 2			
Month 3			
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			
12-month total	66	66	100.0

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy) by large taxpayers registered for domestic excise tax.

² 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from ALL large taxpayers registered for domestic excise tax and are required by law to file excise tax declarations.

³ The 'on-time filing rate' is the number of excise tax declarations filed by large taxpayers by the statutory due date as a percentage of the total number of excise duties declarations expected from large taxpayers registered for domestic excise tax taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of domestic excise tax declarations from large taxpayers filed by the due date}}{\text{No. of domestic excise tax declarations expected from active large taxpayers registered for domestic excise tax}} \times 100$$

Table 10. On-time Filing of PAYE Withholding Declarations (filed by employers) for Financial Year 2022- 2023			
Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July	142	142	100.0
August	199	199	100.0
September	213	213	100.0
October	218	218	100.0
November	235	235	100.0
December	232	232	100.0
January	233	233	100.0
February	236	236	100.0
March	233	233	100.0
April	237	237	100.0
May	242	242	100.0
June	199	199	100.0
12-month total	2619	2619	100.0
Explanatory notes: ¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy). ² 'Expected declarations' means the number of PAYE withholding declarations that the tax administration expected to receive from registered employers with PAYE withholding obligations that were required by law to file declarations. ³ The 'on-time filing rate' is the number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the total number of PAYE withholding declarations expected from registered employers, i.e. expressed as a ratio: $\frac{\text{Number of PAYE withholding declarations filed by the due date}}{\text{Number of PAYE withholding declarations expected from registered employers}} \times 100$			

E. Electronic Services

(Ref: POAs 4 and 5)

Table 11. Use of Electronic Services, [For Financial Years 2021-2023] ¹			
	[2021]	[2022]	[2023]
	Electronic filing² (In percent of all declarations filed for each tax type)		
CIT	66.0	78.0	74.0
PAYE (Withholding)	67.0	71.0	71.0
VAT	64.0	74.0	80.0
Domestic excise tax (for all registered taxpayers)	100.0	100.0	100.0
Large taxpayers (all core taxes)	97.2	99.3	94.4
	Electronic payments³ (In percent of total number of payments received for each tax type)		
CIT			
PAYE (Withholding)	2.0	6.4	29.3
VAT	42.0	65.0	72.0
Domestic excise tax (for all registered taxpayers)	40.0	64.0	63.0
Large taxpayers (all core taxes)	46.0	56.0	58.0
	Electronic payments (In percent of total value of payments received for each tax type)		
CIT	4.0	21.0	16.0
PAYE (Withholding)	0.2	8.3	21.1
VAT	27.0	52.0	59.0
Domestic excise tax (for all registered taxpayers)	16.0	8.0	15.0
Large taxpayers (all core taxes)	12.0	23.0	26.0

Explanatory notes:

¹ Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.

² For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.

³ An electronic payment is a payment made from one bank account to another via electronic means without the direct intervention of bank staff instead of using cash or check, in person or by mail. Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made.

F. Payments

(Ref: POA 5)

Table 12. VAT Payments Made During for Financial Year 2022- 2023

	VAT payments made on-time ¹		VAT payments due ²		On-time payment rate ³ (In percent)	
	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers
Number of payments	42,366	4,762	45,540	5,004	93.0	95.2
Value of payments	73.9bn	49.4bn	112.9bn	75.9bn	65.0	67.0

Explanatory notes:

¹ 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).

³ The 'on-time payment rate' is the number (or value) of VAT payments made by the statutory due date in percent of the total number (or value) of VAT payments due, i.e. expressed as ratios:

- The on-time payment rate by number is: $\frac{\text{Number of VAT payments made by the due date}}{\text{Total number of VAT payments due}} \times 100$
- The on-time payment rate by value is: $\frac{\text{Value of VAT payments made by the due date}}{\text{Total value of VAT payments due}} \times 100$

G. Domestic Tax Arrears

(Ref: POA 5)

Table 13. Value of Tax Arrears, [for Financial Years 2021-2023]¹

	[2021]	[2022]	[2023]
	In local currency (in Billion)		
Total core tax revenue collections (from Table 1) (A)	167.7	215.4	267.9
Total core tax arrears at end of fiscal year ² (B)	29.7	36.2	45.0
Of which: Collectible ³ (C)	18.0	22.6	28.3
Of which: More than 12 months' old (D)	10.7	17.0	22.1
	In percent		
Ratio of (B) to (A) ⁴	17.7	16.8	16.8
Ratio of (C) to (A) ⁵	10.7	10.5	10.5
Ratio of (D) to (B) ⁶	35.9	46.9	49.1

Explanatory notes:

¹ Data in this table will be used in assessing the value of core tax arrears relative to annual collections and examining the extent to which unpaid tax liabilities are significantly overdue (i.e. older than 12 months).

² 'Total core tax arrears' include tax, penalties, and accumulated interest.

³ 'Collectible' core tax arrears is defined as the total amount of domestic tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible core tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

⁴ i.e. $\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

⁵ i.e. $\frac{\text{Value of collectible core tax arrears at end of fiscal year (C)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

⁶ i.e. $\frac{\text{Value of core tax arrears >12 months' old at end of year (D)}}{\text{Value of total core tax arrears at end of fiscal year (B)}} \times 100$

H. Tax Dispute Resolution

(Ref: POA 7)

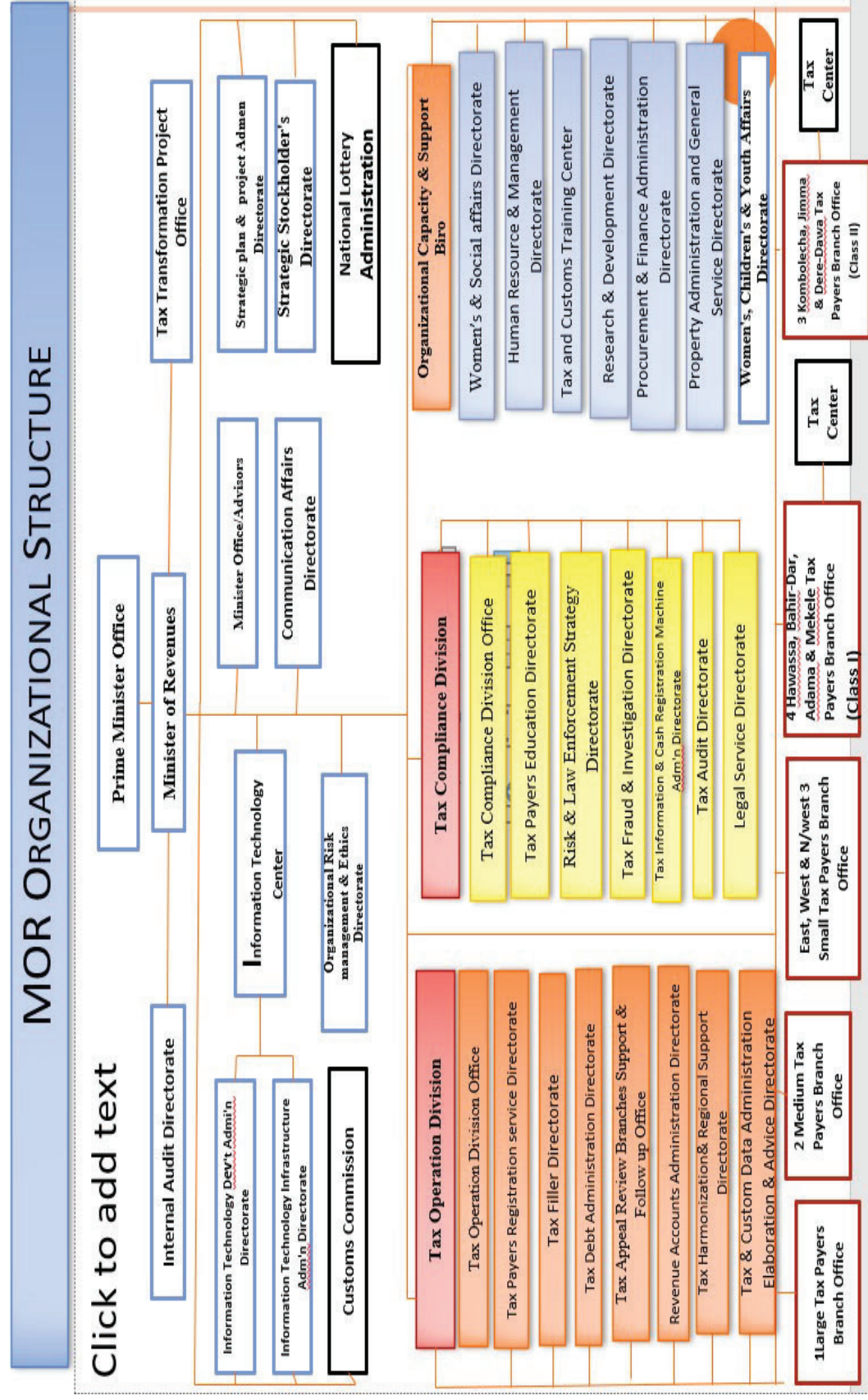
Table 14. Finalization of Administrative Reviews (for Financial Year 2023- 2024)										
Month	Number of administrative review cases				Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
	Stock at beginning of month [A]	Received during the month [B]	Finalized during the month [C]	Stock at end of month [A + B - C]	Number	In percent of total	Number	In percent of total	Number	In percent of total
July	52	178	84	146	40	27.4	29	19.9	18	12.3
August	145	104	135	114	90	79.0	5	4.4	11	9.6
September	114	82	98	98	55	56.1	15	15.3	0	0
October	98	120	144	74	107	145.6	17	23.0	0	0
November	74	182	154	102	128	125.5	16	15.7	0	0
December	101	158	173	86	109	126.7	37	43.0	0	0
January	86	132	123	95	76	80.0	35	36.8	7	7.4
February	95	128	116	107	75	70.1	35	32.7	7	6.5
March	106	162	160	108	135	125.0	35	32.4	8	7.4
April	108	144	120	132	81	61.4	22	16.7	10	7.6
May	132	149	161	120	102	85.0	42	35.0	10	8.3
June	119	147	201	65	134	206.2	39	60.0	11	16.9
12-month total				1 669	1 132	67.8	327	19.6	82	4.9

I. Payment of VAT Refunds

(Ref: POA 8)

Table 15. VAT Refunds for Financial Year 2022- 2023		
	Number of cases	Value in local currency (In Billion)
Total VAT refund claims received (A)	2,041	9.13
Total VAT refunds paid ¹	1,612	4.92
Of which: paid within 30 days (B) ²	1,612	4.92
Of which: paid outside 30 days		
Total VAT refund claims declined ³	80	2.57
Of which: declined within 30 days (C)	80	
Of which: declined outside 30 days		
Total VAT refund claims not processed ⁴	56	.26
Of which: no decision taken to decline refund	293	1.37
Of which: approved but not yet paid or offset		
In percent		
Ratio of (B+C) to (A) ⁵	83.0	82.0
Explanatory note:		
¹ Include all refunds paid, as well as refunds offset against other tax liabilities.		
² TADAT measures performance against a 30-day standard.		
³ Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met).		
⁴ Include all cases where refund processing is incomplete—i.e. where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset.		
⁵ i.e. $\frac{\text{VAT refunds paid within 30 days (B)} + \text{VAT refunds declined within 30 days (C)}}{\text{Total VAT refund claims received (A)}} \times 100$		

Attachment IV. MOR Organizational Structure



Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	<ul style="list-style-type: none"> • Table 2 of the pre assessment questionnaire • Federal Tax Administration PROCLAMATION No. 983/2016 • Annual registration report • MOR 2016 EC annual operation plans • SIGTAS and TASS main subsystem Modules • MOR 2015 annual report • Screenshots and field visit verification of registration system • Active and inactive taxpayers report • Standard Operating procedures for registration • https://etrade.gov.et/ • Taxpayers account • SIGTAS manual • National ID integration • Registered taxpayers by tax type • Archiving report • Deactivated taxpayers report • Registrations per economic sector
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> • MOR 2016 EC annual operation plans • Revenue enhancement report • Fake receipt analysis • Compliance improvement strategy report • MOR 2015 annual report • VAT registration report

Indicators	Sources of Evidence
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<ul style="list-style-type: none"> Compliance Risk Management Framework Field Visit observation (Risk Management Directorate)
P2-4. Mitigation of risks through a compliance improvement plan.	<ul style="list-style-type: none"> Compliance Strategy 2023-2024 (In Amharic) Field Visit observation (Risk Management Directorate)
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none">
P2-6. Management of operational (i.e. systems and processes) risks.	<ul style="list-style-type: none"> Business Continuity Management Plan Risk Cluster (in Amharic)
P2-7. Management of human capital risks.	<ul style="list-style-type: none"> The general concept of performance evaluation directive (description received from MOR) MOR Employee Performance Management Directive (in Amharic) Analysis of the evaluation and results of the plan execution of the employees of the head office and offices (in Amharic) Human Capital Transformation Strategic Plan Risk register template Risk register manual HR risks analysis report 2010 E.C. Fiscal year plan performance report Operational plan 2016 E.C.
P3-8. Scope, currency, and accessibility of information.	<ul style="list-style-type: none"> MOR monthly newspaper Picture of taxpayers' consultation event Picture of several brochures ...

Indicators	Sources of Evidence
P3-9. Time taken to respond to information requests.	<ul style="list-style-type: none"> Suggestion box Copy of Education Plan
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> Balance sheet & Annexes checking list. Picture of MOR facilities for use by taxpayers to register and file ...
P3-11. Obtaining taxpayer feedback on products and services.	<ul style="list-style-type: none"> Picture of suggestion box Picture of taxpayers' consultation event
P4-12. On-time filing rate.	<ul style="list-style-type: none"> Picture of non-filers tracker Pictures of compliant taxpayers' awards ...
P4-13 Management of non-filers.	<ul style="list-style-type: none"> Picture of non-filer's tracker Non-filers manual
P4-14. Use of electronic filing facilities.	<ul style="list-style-type: none"> Picture of no MOR facilities available for use by Taxpayer
P5-15. Use of electronic payment methods.	<ul style="list-style-type: none"> Federal Tax Administration Proclamation(FTAP) 983/2016 Educational Plan Available on videos and MOR Facebook page
P5-16. Use of efficient collection systems.	<ul style="list-style-type: none"> Income tax act 979/2016 & FTAP 983/2016 CIT Directive 176/2016 CIT Directive 181/2015 CIT legislation 146/2011 VAT legislation 60/2012 PAYE legislation 1/2011
P5-17. Timeliness of payments.	<ul style="list-style-type: none"> FTAP 983/2016
P5-18. Stock and flow of tax arrears.	<ul style="list-style-type: none"> Uncollectable document Non collectible areas report Non filer workflow

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • Non filer management procedures • Tax Debt relief Directive No 64/2012E.C. • 2013 E.C. FY Tax directorate report
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	<ul style="list-style-type: none"> • Overview risk level classifications for large and medium taxpayers • Annual national tax audit program (in Amharic) • 2014 tax audit manual • 2019 tax audit manual • Tax audit manual (manufacturing sector) • Tax audit manual (construction sector) • Tax audit quality assurance review (TAQAR) manual • Branch Report with results from TAQAR (in Amharic) • Document presenting that reassessment made by a branch as per recommendations given by the TAQAR process (in Amharic) • Annex 26 of the tax audit manual • Customer satisfaction survey • East branch Ginbot monthly report • Document presenting remedial actions taken as suggested in the monthly branch report (in Amharic)
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	<ul style="list-style-type: none"> • No evidence
P6-21. Initiatives undertaken to encourage accurate reporting.	<ul style="list-style-type: none"> • https://www.mofed.gov.et/mof-directive/tax-directive/
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	<ul style="list-style-type: none"> • IMF Revenue Administration VAT Gap Study (2019)
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> • Tax Dispute Procedures Manual 2022 • Audit manual • Organizational Structure MOR

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • Assessment Notice • Field Visit Observation (Northwest Small Taxpayers Branch)
P7-24. Time taken to resolve disputes.	<ul style="list-style-type: none"> • Table 14
P7-25. Degree to which dispute outcomes are acted upon.	<ul style="list-style-type: none"> • Field Visit Observation (Tax Appeals Directorate) • Field Visit Observation (Legal Service Directorate)
P8-26. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> • No Evidence
P8-27. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> • No Evidence
P8-28. Adequacy of tax refund processing.	<ul style="list-style-type: none"> • Table 15
P9-29. Internal assurance mechanisms.	<ul style="list-style-type: none"> • Internal Audit Annual Plan • Internal Audit Training Program • Internal Control Checklist (TIN Registration) • Code of Ethics • Annual Disciplinary Committee Findings Summary • Integrity Unit Statistics Report
P9-30. External oversight of the tax administration.	<ul style="list-style-type: none"> • Annual Report
P9-31. Public perception of integrity.	<ul style="list-style-type: none"> • Taxpayer Satisfaction Survey Questionnaire and report
P9-32. Publication of activities, results and plans.	<ul style="list-style-type: none"> • 2023 Operational Report [2016 (E.C. year)] • 2023 Operational Plans 2016 (E.C. year)

Fiscal Affairs Department

International Monetary Fund
700 19th Street NW
Washington, DC 20431
USA

<http://www.imf.org/capacitydevelopment>