

**North-east Africa Appendix 1:  
Ethiopia**

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## Country: Ethiopia

| <i>Basic Country Information</i>            |   |                  |              |
|---|---|------------------|--------------|
| Geographic size                             | 1,100,000 km <sup>2</sup>   | Independence     |              |
| Capital city                                | Addis Ababa   | Population       | 78.2 million |
| Secondary cities/towns                      | Diredawa, Adama, Bahrdar, Awassa  | Urbanisation     | ~ 15%        |
| System of government                        | Federal Republic  | GDP (per capita) | US\$871      |
| <i>Government Structures</i>                |   |                  |              |
| Levels/Tiers of government                  | Federal government, 9 regions and 2 city governments.   |                  |              |
| Traditional authorities or chiefdoms        | None  |                  |              |
| <i>Land Issues and the Property Market</i>  |   |                  |              |
| Land tenure                                 | Public, urban leasehold and rural use right   |                  |              |
| Land titling/registration                   | Practice limited in scope.  |                  |              |
| Land rent                                   | Applicable, based on size and location.   |                  |              |
| Property Market                             | Maturing in urban centres and based on leasehold.   |                  |              |
| <i>Taxes</i>                                |   |                  |              |
| National                                    | Federal constitution provides for federal government tax domain. At federal level the following taxes are levied:<br>Income tax |                  |              |
| Sub-national                                | Regional states and city governments have taxing authority and levy...  |                  |              |
| <i>Property-related Taxes: National</i>     |   |                  |              |
| Property Transfer Tax                       | Local tax , part of income tax and turnover tax   |                  |              |
| Capital Transfer Tax                        | Part of consolidated income tax Proclamation No. 286/2002   |                  |              |
| Capital Gains Tax                           | Dwelling houses exempted, 15% for buildings and 30% on company shares   |                  |              |
| <i>Property-related Taxes: Sub-national</i> |   |                  |              |
|   |   |                  |              |

| <i>Annual Property Tax</i>         |  |   |
|------------------------------------|--|---|
| <b>Relevant Legislation:</b>       |  |   |
|                                    | <i>Legislation</i>                         | <i>Practice</i>   |
| <i>Tax Base &amp; Taxpayer</i>     |  |   |
| Tax base                           | Land rent & buildings annual rental income | Land rent not linked to location, annual rental value not duly updated. |
| Coverage of tax base               | Limited to...                              | Limited in practice.  |
| Taxpayer                           | Only private sector and businesses         | Mostly only those who declare.  |
| <i>Valuation &amp; Assessment</i>  |  |   |
| Valuation                          | Valuators in Works Department.             | Shortage of expertise   |
| Responsibility for valuations      | Local Government & Ministry of Works       | Same  |
| Valuation cycle                    | Annual                                     | Usually once  |
| Objection & appeal                 | Tax appeals committee                      | Procedure seldom used in practice.                                      |
| Quality control measures           | Not provided for by legislation            | Administrative and incomprehensive                                      |
| <i>Rate Setting and Tax Relief</i> |  |   |
| Tax rates                          | Set in the 1970s and very low.             | Not updated and less than market values                                 |

|                                   |  |  |
|-----------------------------------|--|--|
| Exemptions                        | Public institutions, places of worship, dwelling houses of annual rental income less than ETB 300. | Informal sector out of registers and undeclared transactions.    |
| Tax relief measures               | Not provided.  | Given the extremely weak base and outdated rates, not a problem. |
| <b><i>Tax Administration</i></b>  |  |  |
| Billing                           | Tax office of local government   | Individuals declare and request to pay.                          |
| Collection                        | Tax office of local government   | Tax office of local government                                   |
| Enforcement                       | Notice, property seizure & auction   | Not used at all  |
| <b><i>Additional Comments</i></b> |  |  |
| Importance of property tax        | Lacks emphasis   | Appears ignored  |
| Role of the property tax          | Requires revision and focus  | Can be improved significantly                                    |
| Tax effort                        | The tax base can be broadened  | Lots of room for improvement                                     |
| Other issues                      |  |  |

| <b><i>Property Transfer Tax</i></b>       |  |  |
|---|--|--|
| <b>Relevant Legislation:</b>              |  |  |
|   | <b><i>Legislation</i></b>                                      | <b><i>Practice</i></b>   |
| <b><i>Tax Base &amp; Taxpayer</i></b>     |  |  |
| Tax base                                  | Transfer (e.g. sale or gift)                                   |  |
| Coverage of tax base                      | Transfer by in   | Prerequisite for title deed registration                         |
| Taxpayer                                  | Buyer or donee   | Same   |
| <b><i>Valuation &amp; Assessment</i></b>  |  |  |
| Valuation                                 | Negotiated sales price and government valuator                 | Government valuation applied if declared value is deemed too low |
| Responsibility for valuations             | Transacting parties or government valuator                     | Government Tax Office  |
| Valuation date                            | Date of transaction  | -  |
| Objection & appeal                        | Provided in legislation  | Not many cases in practice                                       |
| Quality control measures                  | Not provided   | Not practiced  |
| <b><i>Rate Setting and Tax Relief</i></b> |  |  |
| Tax rates                                 | Varies from 2% to 15%  | 6% on dwelling houses and 21% on commercial buildings            |
| Exemptions                                | Provided   | Applied  |
| Tax relief measures                       | Not provided   | Not applied  |
| <b><i>Tax Administration</i></b>          |  |  |
| Billing                                   | Title deed registration office and local government tax office | Same   |
| Collection                                | Title deed registration office and local government tax office | Same   |
| Enforcement                               | Tax office   | Many informal transactions are not recorded and tax paid for.    |
| <b><i>Additional Comments</i></b>         |  |  |
| Importance of property tax                |  |  |
| Role of the property tax                  |  |  |
| Tax effort                                |  |  |
| Other issues                              |  |  |

| <i>Other Relevant Property-related Taxes</i> |   |                                  |
|--|---|----------------------------------|
| <b>Relevant Legislation:</b>                 |   |                                  |
|  | <i>Legislation</i>                      | <i>Practice</i>                  |
| <b><i>Tax Base &amp; Taxpayer</i></b>        |   |                                  |
| Tax base                                     | VAT & TOT on sales price                | same                             |
| Coverage of tax base                         | Commercial property                     | Same                             |
| Taxpayer                                     | Buyer                                   | Same                             |
| <b><i>Valuation &amp; Assessment</i></b>     |   |                                  |
| Valuation                                    | Declared values and government valuator | Whichever value is higher        |
| Responsibility for valuations                | Transaction sales price                 | Approval by government valuator  |
| Valuation date                               | At time of sale                         | same                             |
| Objection & appeal                           | Provided                                | Not many cases                   |
| Quality control measures                     | Not provided                            | Not applicable                   |
| <b><i>Rate Setting and Tax Relief</i></b>    |   |                                  |
| Tax rates                                    | 15% VAT, 2% TOT                         | Same                             |
| Exemptions                                   | Used dwellings                          | Same                             |
| Tax relief measures                          | Not provided                            | ---                              |
| <b><i>Tax Administration</i></b>             |   |                                  |
| Billing                                      | Tax office                              | Same                             |
| Collection                                   | Seller to submit to Tax office          | Same                             |
| Enforcement                                  | Tax office                              | Rigorous exercises by tax office |
| <b><i>Additional Comments</i></b>            |   |                                  |
| Importance of property tax                   |   |                                  |
| Role of the property tax                     |   |                                  |
| Tax effort                                   |   |                                  |
| Other issues                                 |   |                                  |