

Presenter: Mulay Weldu Asegehegn, [asegehegn@gmail.com](mailto:asegehegn@gmail.com)

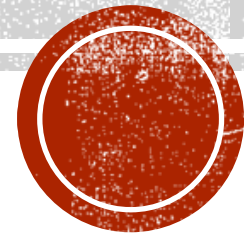


# **SPOTLIGHT SESSION AT THE 2023 ATI GENERAL ASSEMBLY**

**Ethiopia's Recent work on Promoting Domestic  
Revenue Mobilisation (DRM) in the Context of  
Multiple Crises.**

21 June 2023

Lusaka, Zambia





# **PRESENTATION CONTENT**

- **Introduction**
- **Tax Revenue Performance in Ethiopia**
- **Recent Tax Reforms in Ethiopia**
- **Challenges?**
- **Way Forwards or Reform Agendas**



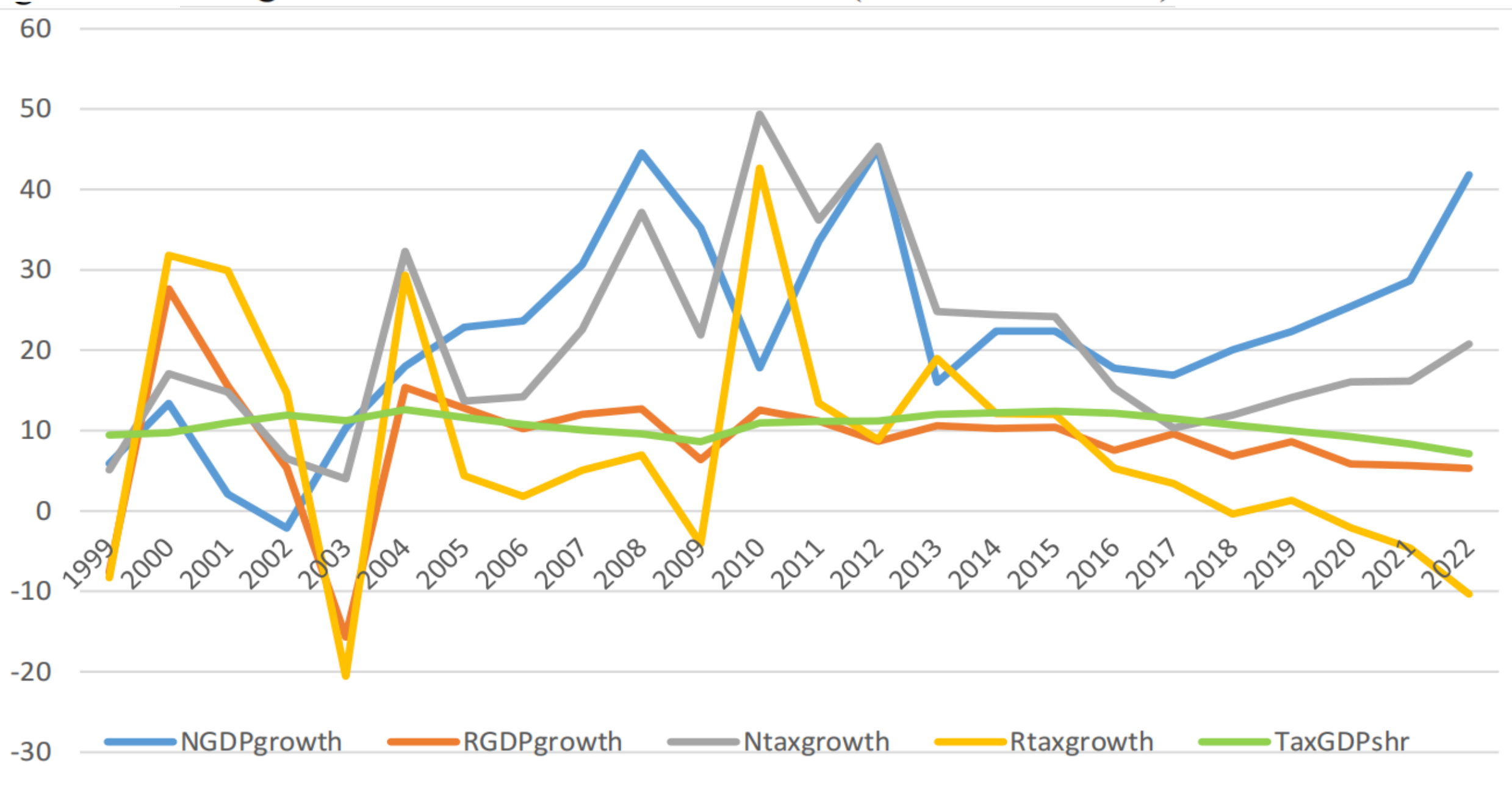
# INTRODUCTION



- Despite decades double digit economic growth tax-to-GDP was low as per the economy's potential countries at similar economic status.
- Tax-to-GDP was not only low but was falling year-after-year from about 13 percent reaching to a current level of 7.1 percent.
- For the last 5 years Ethiopia was undergoing pervasive reforms in all sectors and reforms continued.
- Reforms to improve DRM.



Tax growth rates and tax to GDP ratio (1996/97-2021/22)



# RECENT TAX REFORMS IN ETHIOPIA



- Despite Covid-19, war in the Norther part of our country, and Ukrine-Rassia war reforms continued:
- Tax debt relif for taxpayers (upto 2019 all principal, interest and penalty, from 2019 onwards only interest and penalty)
- Customs tariff book reform: reducing rates from 6 to 5, rationalizing rate, removal of second schedule to save revenue of 4 billion birr.
- Removal of border franco valuta exemptions to save birr 4 billion a year.



# RECENT TAX REFORMS ... CONT.



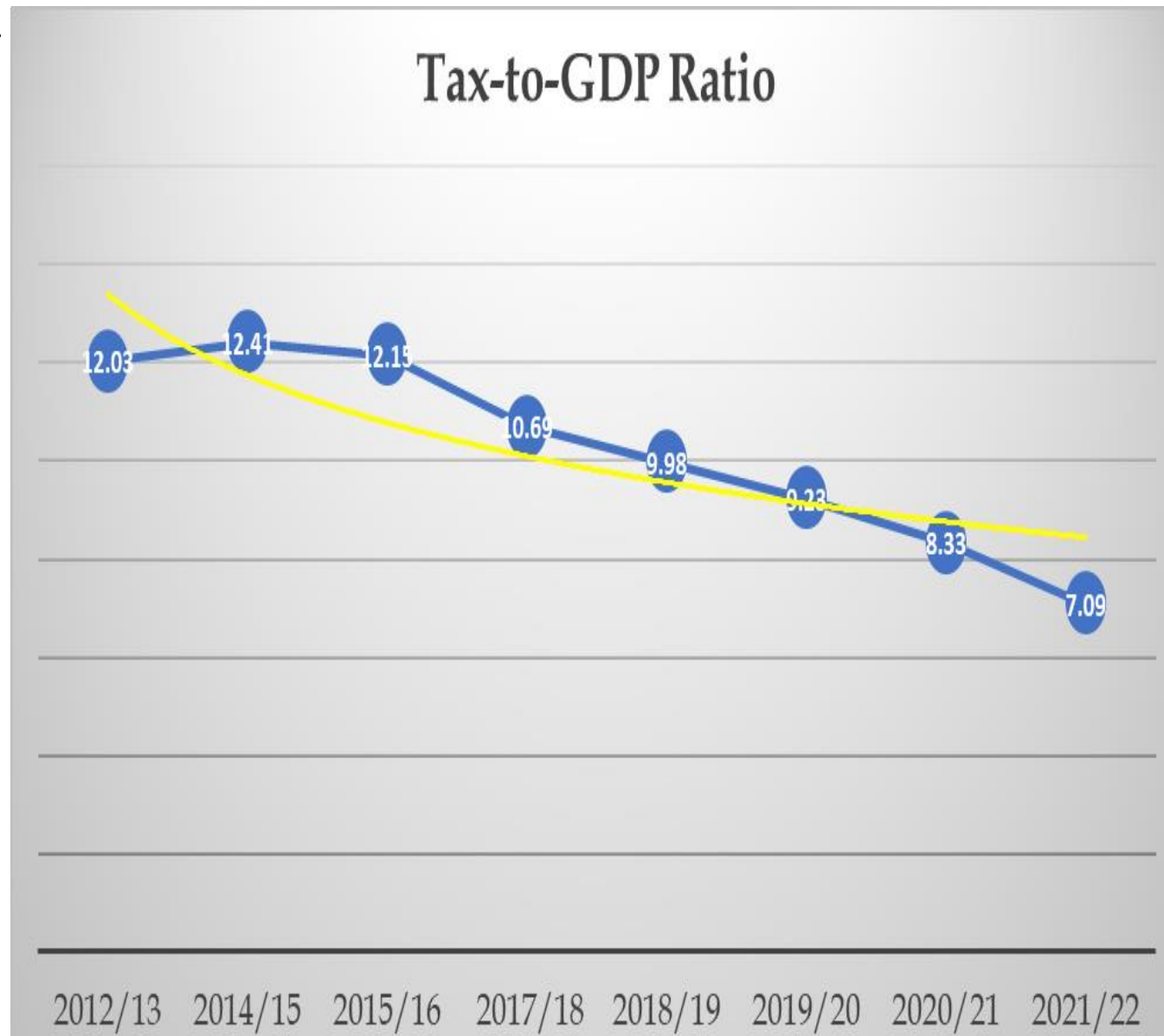
- Excise tax reform which increased revenue by 50 percent as compared revenue collected pre-reform from the same tax type or source.
- Incentives centralization and digitization led to saving of birr 6 billion (incentive used to be granted by more than 35 institutions now only MoF).
- Incentives reform leading to a saving of 14 billion birr (a new incentives regulation enforced which removes some proved redundant incentives).
- Introduced social welfare fee of 3 percent on all goods imported.
- Amendment of excise tax law which introduces excise on telecom services for the first time.



# CHALLENGES?



- Ukraine-Russia war and pace of domestic economic growth.
- Country is under reform and re-construction looking for more revenue or more fiscal space.
- Despite all policy reforms still tax-to-GDP ratio is low and yet not reversed from falling trend.





# WAY FORWARDS OR REFORM AGENDAS



- Do deeper investigation on why tax-to-GDP is low and find what exactly is the potential level given level and economic structure of Ethiopia.
- Introduce National Medium Term Revenue Strategies (NMTRS) and accomplish reforms stated in the strategy to reach tax-to-GDP ratio of 16% such as:
- Income tax (personal and corporate) and tax holiday reform, inline with the G-20 move to tax MNCs at least up to 15 percent, and **DTAs re-negotiation**.
- VAT reform (reducing deemed unproductive exemptions, increasing the base, and improving administration).
- Improve excise tax, which may include excise tax management system.
- Introduce property tax (study done, revenue assignment decided, law drafted).
- Modernization and digitization of the tax administration (key area of the NMTRS).



# WAY FORWARDS ... CONT.

Tax-to-GDP Ratio





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THANK  
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