

**The VAT Regime under Ethiopian
Law with special Emphasis on
Tax Exemption:
The Ethiopian and International
Experience**

EXECUTIVE SUMMARY

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1. Definition

- Value Added Tax (VAT) is a general consumption tax assessed on the value added to goods and services.
- It is a general tax that applies, in principle, to all commercial activities involving the production and distribution of goods and the provision of services.
- It is a consumption tax because it is borne ultimately by the final consumer.
- It is charged as a percentage of prices, which means that the actual tax burden is visible at each stage in the production and distribution chain.
- It is collected fractionally, via a system of deductions whereby taxable persons (i.e., VAT-registered businesses) can deduct from their VAT liability the amount of tax they have paid to other taxable persons on purchases for their business activities.

2. Salient points of Ethiopian VAT Law

- The Value -Added Tax (VAT) proclamation No 285/2002 which has rescinded and replaced the sales and excise tax proclamation No. 68/1993 (as amended) and which has come into force as of January 1st, 2003 is a consumption tax which is levied and paid as value added tax at a rate of 15 percent of the value of every taxable transaction by a registered persons, every import of goods, other than an exempt import and an import service rendered in Ethiopia for a person registered in Ethiopia for VAT or any resident legal person by a non resident person who is not registered for VAT in Ethiopia. (Article 7 (1) (a)-(c) and Article 23 (1) and (2))
- A taxable transaction is a supply of goods or a rendition of services in Ethiopia in the course or furtherance of a taxable activity other than an exempt supply. (Article 7(3))
- A taxable activity is any activity, which is carried on continuously, or regularly by any person in Ethiopia, or partly in Ethiopia, whether or not for a pecuniary profit that involves, in whole or in part, the supply of goods or services to another person for consideration. (Article 6 (1) and (2))

- Note that a taxable activity is any activity carried on whether or not for a pecuniary profit. Therefore though NGOs are non- for- profit organizations, the VAT law is nevertheless applicable on them.
- Note also that the VAT law is applicable on a person who is registered or required to register for VAT. NGOs are not registered or required to register for VAT. However regardless of this basic criterion for determining the scope of application of the VAT law, NGOs are subjected to the VAT law and it equally applies to them.
- The VAT law contains two VAT rates. One is the standard 15 percent rate and the other is zero-rate. Taxable transactions such as the export of goods and services are charged with tax at a rate of zero percent.
- Tax-exempt goods and services are supplies on which VAT, both the standard rate and zero-rate tax, are not paid on.
- Under the VAT Law, the following are exempt from VAT.
 - a. The import or supply of prescription drugs and the rendering of medical services.
 - b. The rendering of educational services provided by educational institutions, as well as childcare service for children at pre – school institutions.
 - c. The supply of goods and rendering of services in the form of humanitarian aid, as well as import of goods transferred to state agencies of Ethiopia and public organizations for the purpose of rehabilitation after natural disasters, industrial accidents and catastrophes.
 - d. The supply of goods or services by a workshop employing disabled individuals if more than 60 percent of the employees are disabled.
 - e. The import or supply of books and other printed materials. (Article 8(2) (a)-(p))
 - f. The supply of electricity, kerosene, and water.

- g. Goods imported by the government, organizations, institutions or projects. Exempts from duties and other import taxes to the extent provided by law or by agreement.
 - h. The rendering by religious organizations of religious or church related services.
- Note that the exemptions regarding the supply of goods and rendering of services in the form of humanitarian aid and goods imported for organizations or projects are relevant and applicable to NGOs. So is the exemption on the supply of goods and services by a workshop employing the disabled.
 - Also note that the exempt categories such as health, education, basic utilities such as electricity, kerosene and water and mass or public transportation have a common feature in that they are designed and intended to benefit the public at large and encourage and enhance the economy and to protect and promote social and public interest. Generally speaking the exemptions have been granted for economic, administrative or social reasons.
 - By virtue of Article 8(4), the Minister of Finance and Economic Development may by directive exempt other goods and services. In a similar manner Income Tax Proclamation No 286/2002, Article 13 (e) has empowered the Council of Ministers and the Minister of Finance and Economic Development to exempt by regulation any income for economic, administrative or social reasons.
 - The Council Ministers for the proper interpretation of the VAT proclamation issued the Value- Added Regulation No 79/2002.
 - The major areas on which proper and broader interpretation has been rendered include exemptions granted by the VAT proclamation whereby general areas of exemptions have been listed without detailed interpretation and implementation terms and conditions. In this regard, the regulation clearly states what falls under the exempted items and what does not fall under or constitute exemption under the VAT proclamation. These exemptions include inter-alia a provision relating to supplies of humanitarian aid.
 - In this regard the Regulation provides that the exemption for supplies of humanitarian aid applies to goods imported or purchased locally by organizations registered as humanitarian organizations for such purpose. (Article 26 (1) and (2)). Note that the proclamation did not include goods purchased locally.
 - The exemption covers the import of goods or purchase of goods locally with an announcement or declaration of a natural disaster, industrial accidents, or catastrophe by the Disaster and Prevention Commission.

- The Regulation contains a provision that deals with import exempt by law or agreement. An exemption by agreement covers tax exemption for certain import of goods only if the agreement is entered into by the government or the agreement is entered into with permission granted by the government. (Article 28 (3) and (4))

The exemption by agreement includes exemption provided under;

- a. A technical assistance or humanitarian assistance agreement entered into between a government of any country;
- b. The Diplomatic Immunities and Privileges Convention;
- c. An International Convention having the force of law in Ethiopia; and
- d. Any other multilateral agreement to which Ethiopia is a party.

The provision provides a “broader interpretation” to article 8(4) of the VAT proclamation which simply stated that MOFED may by directive exempt other goods and services.

In this regard the regulation has come up with a broader interpretation of exemption by agreement and indicates the modalities of the application of this provision.

Accordingly exemption from VAT can come under various arrangement or legal instruments.

These include a bilateral technical assistance or humanitarian assistance agreement entered into between the government of Ethiopia and a government of any country or an agreement entered into with permission granted by the government between the beneficiaries – the concerned NGO.

The provision of article 28(3) and (4) is central to the discussion of this paper and we will revisit its relevance and applicability in much more detail under our discussion on and treatment of the issue of how to move forward.

3. Statement of the problem

- The designers of the VAT law intended it to be a tax on the final consumer. In other words, a business buying goods or services would generally not suffer VAT because it could pass on the burden of the tax to its customers, either directly by charging them VAT on taxable sales or indirectly by raising its prices to cover the cost of any VAT that it had paid on purchases used to produce goods or services that were exempt from VAT.
- Unfortunately, this approach failed to take into account the role of NGOs in the chain of supply of goods and services.

- VAT was conceived as a tax on the final consumer of goods and services: in most cases this will be an individual member of the public buying from a retail outlet for his or her private use. Businesses can usually pass on the VAT that they pay on their purchases of similar goods and services to their own customers so that the only costs they incur as taxpayers are the costs of recording, administering and collecting the tax from their customers for the benefit of the government.
- Most forms of NGO are in a different position. The design of VAT requires that it be imposed on all forms of economic activity, whether or not for profit, but the non-profit character of an NGO's purposes limits its ability to pass on to its beneficiaries the VAT that is charged to the NGO on its own purchases of goods and services.
- Any VAT that an NGO does not pass on to its beneficiaries, whether by reason of law (because the NGO does not conduct an economic activity or because the economic activity concerned is exempt from VAT) or by choice (because its beneficiaries cannot afford to pay the extra cost) becomes a permanent cost to the NGO. Thus, an NGO that is not subject to or "exempt" from VAT will generally pay more VAT than one that is "taxable".
- The burden of irrecoverable VAT costs on NGOs varies widely. Taking the non-profit sector as a whole, it is estimated that about 60% to 75% of most NGOs' operating costs are staff costs, which are not subject to VAT. However, substantial amounts of irrecoverable VAT can arise not only in large NGOs or where an NGO incurs large capital costs (e.g. on a new building or a computer system), but also if an NGO has significant operating costs that are liable to VAT, operations as constructing schools, health centers, and other facilities and basic necessities as potable water supply and service projects.
- Consequently, when compared to the private sector, the VAT costs incurred by NGOs represent a higher burden in relative terms. Moreover, the burden is likely to increase merely by reason of the growth in size of the non-profit sector.
- In light of the forgoing any discussion on or treatment of the question of the VAT regime in Ethiopia should be predicted on a sound understanding and appreciation of the problem. And any endeavor of addressing the problem should take in to account the peculiar nature or characteristics of NGOs.

4. Does Ethiopian VAT Law exempt NGOs?

- NGOs are exempt from charging VAT i.e. they are not registered to collect VAT as they are not working for profit. This means that whenever they provide services, they are not expected to include VAT charges.

- However, they are expected to pay VAT charges whenever they purchase goods and services locally although they are not working for profit and do not add value to their services.
- Nonetheless, pursuant to article 8(2) (h) NGOs that are directly engaged in relief operations in the country have special privilege that exempts them from paying VAT, given by a directive issued by the DPPC to the VAT Department. These are a list of NGOs identified by DPPC who purchase relief aid and/or services that they buy from local markets.
- Other NGOs may, pursuant to article 8(4) of the proclamation and article 28 (3) and (4) also have that this kind of exemptions through bi-lateral or multi-lateral agreements or understandings with the government. Please note that these NGOs may implement development programs through food for work such as construction of roads, schools, health clinics etc.
- Parallel to this, many other NGOs are expected to pay VAT whenever they purchase materials and services to construct the same schools, health clinics, youth centers that will be handed over to the respective line ministries or, regional bureaus for the use of communities.
- Note that under article 8(2) (h) of the proclamation it was only the import of humanitarian aid that was exempted from VAT. But under article 26(1) and (2) the exemptions for supplies of humanitarian aid apply to both goods imported and purchased locally.
- Therefore other than the exemptions listed in article 8(2) generally offered to all beneficiaries and article 8(2) (h) specifically offered to humanitarian aid organizations (NGOs), The VAT law of Ethiopia **does not** offer VAT exemption to NGOs.

5. Do the VAT Laws of other countries exempt NGOs?

- This paper has conducted a survey of the VAT regimes in various countries across the globe with particular emphasis on NGOs with the objective of indicating or illustrating international experience and best practice regarding VAT exemption.
- The survey covers a wide geographic area. Included in the survey are African, Asian, Newly Independent States, European Union, Eastern and Central European countries.
- Since the introduction of VAT in many African countries, governments have been and are still granting public benefit organizations or NGO VAT exemption.

- The key test in most cases is the fact that the beneficiary organization must be engaged not for profit activity dealing mainly with public interest issues that the governments of the day give priority to.
- These include in most cases education, religious services or scientific research, as is the case in South Africa and Kenya.
- In some African countries, NGOs are offered VAT exemption as per the VAT law of the land where by the beneficiaries and the specific area or categories of exemption are specifically listed. Accordingly there will be those that will be exempted totally or be zero-rated, by way of example we can cite Ethiopia, South Africa, Namibia, Tanzania and Senegal.
- Some African countries address the issue of tax exemption under an agreement that is concluded between the beneficiary and the government. In which case the exemption is predicated on the fact that the exemption is being granted because "it is in the public interest to do so" and the beneficiary or organization must be of a "public character". A very good example for such practice is to be found in Uganda and Rwanda.
- Though there are three types of VAT regimes in the world today, i.e. multiple rates/multiple exemptions, single rate/widespread exemptions, and single rate/limited exemptions most African countries follow the later practice.
- For example in Ethiopia we have a single rate of 15% and a limited categories of exemptions. However, the VAT rate - the single rate varies from country to country. In South Africa, it is 14%. In Kenya, it is 18%. In Tanzania, it is 20%. In Namibia it is 15% and in Senegal it is 18%.
- In Bangladesh, Indonesia, the Philippines, and Thailand, NGOs receive no exemption from VAT, but in some cases they benefit from lower rates levied on primary, unprocessed agricultural products.
- In Sri Lanka and The Philippines exemption from customs duties and VAT on donations from foreign sources can be obtained only if the donations are consigned to the relevant government agency. This procedure generally involves numerous bureaucratic obstacles and conditional provisions.
- All countries in the Newly Independent States region impose a Value- Added Tax upon the sale or transfer of goods and services including imported goods. None of the countries exempt NGOs per se from VAT.
- Some newly independent states practice the zero- rating of goods and services. Under this option, an NGO must pay the VAT on goods and services that it purchases, but it may seek rebates for those amounts.

- This is generally considered a preferable option for NGOs. NGOs in Georgia, in Azerbaijan (for supplies under grants agreements), and in Armenia (for supplies under charitable humanitarian aid agreements), are eligible for a VAT rebate, the equivalent of a zero rate.
- The most common approach taken in the region, however, is not to exempt any particular type of organization, but instead to exempt transactions in certain goods and services.
- The VAT laws in each of the countries in this category contain a list of the types of goods and services that are exempt, and the list varies from country to country. For example, in Ukraine, charitable aid or free of charge transfers of goods and services to NGOs listed in the Registry are exempt from VAT, as are other transactions listed in the law.
- The VAT rate also varies from country to country. The majority of countries, with the exception of Azerbaijan which has a standard rate of 18% and Kazakstan which has a standard rate of 15%, all have a uniform standard rate of 20% and almost all the countries have a zero-rate for exports.
- All countries in Central and Eastern Europe impose a value added or similar tax upon the sale or transfer of goods and services. The treatment for NGOs under VAT regimes varies widely. Even within a single country, different types of NGOs may find themselves subjected to different treatment for purposes of VAT
- Several countries in the CEE region take the approach of exempting either all or some NGOs from the VAT system.
- Croatia exempts from VAT religious organizations and the Red Cross, as well as political parties, trade unions, trade chambers, and most domestic humanitarian organizations. It has also recently enacted amendments to its VAT law providing for a “tax holiday ”or exemption, for not-for-profit organizations that receive foreign donations of goods or services, as well as for in-country purchases financed by foreign financial aid. The amendments also provide an exemption for independent artists and artistic organizations.
- The most common approach taken in the region, however, is not to exempt any particular type of organization, but instead to exempt transactions in certain goods and services. The VAT laws in each of the countries in this category contain a list of the types of goods and services that are exempt, and the list varies from country to country.
- In Albania, for example, donated food or medical services benefiting NGOs are exempt from VAT, as long as these goods are not resold. In Bulgaria, donations to NGOs are exempt from VAT, certain transactions are exempt, as are import transactions relating to certain foreign aid.

- In Croatia, international humanitarian organizations are entitled to an exemption for goods and services purchased for official use and for private staff use if there is an agreement between the organization and the government.
- Lithuania exempts goods imported as charity from import VAT. In Macedonia, gifts by foreign donors to public institutions and registered Macedonian humanitarian organizations are exempt.
- Poland 's VAT law contains a list of goods and services that are exempt, including education, health protection, and social welfare. Hungary and Latvia also exempt goods and services provided for specified public purposes.
- The survey of international experience and best practice of VAT exemption clearly indicates that the most common approach taken in all the regions covered in the survey, is not to exempt any particular type of organization, but instead to exempt transactions in certain goods and services. This practice is to be found in Africa, Asia, Newly Independent States and Central and Eastern Europe.
- Common features of VAT exemption offered by most countries surveyed relate to specific categories of goods and services. This can be expressed in a broad category that includes the supplies of goods, works and services for health care, education, science, culture, and sport establishments, food stuffs, published materials, transportation services, postal service, and public utilities. It is education, health, and scientific organizations that serve the public interest that are entitled to a tax preference.
- Africa widely employs the practice of addressing the issue of VAT exemption on a case – by – case and country – by –country and/or NGO – by –NGO basis treated under an agreement that is concluded between governments or between the government and the beneficiary organization.
- These usually come under technical cooperation and/or humanitarian assistance agreements. Ethiopia is one of the many African countries that adhere to such practice and arrangement.
- By way of best practice, the survey has found the one practiced by Croatia to be by far the most favorable to NGOs offering exemptions and beneficial tax treatment to a broad and diverse range of beneficiaries.
- The VAT exemption offered by Croatia VAT law exempts religious organizations, the Red Cross, Political Parties, Trade Unions, Trade Chambers, and most domestic humanitarian organizations or NGOs, independent artists and artistic organizations.

- Most notably Croatia’s VAT law provides exemption for- not –profit organizations for in –country purchases financed by foreign financial aid. This practice is very relevant to Ethiopia and is worthy of emulation because almost all the development programs and/or projects, past and present and foreseeable future ones, have been and are being financed by foreign aid.

6. Should NGOs be granted VAT exemptions?

In light of the foregoing discussion, NGOs must be exempted from VAT because; in principle;

- (a) By nature and definition NGOs are not commercial and/or business entities establish with the objective of deriving profit. They lack profit motive. In other words, the purpose they are established for or the services they render are not aimed at making profit.

Thus “the lack of profit” should be the chief test, in Ethiopia as in other countries, for qualifying for VAT exemption.

- (b) The designers of the VAT law did not have NGOs in general in mind except those engaged in humanitarian operation which are a few in number and do not represent the majority of NGOs who are engaged in multi-faceted and multi-sectoral socio – economic development activities of the country.
- (c) The concept and practice of identifying NGOs only as organizations involved in humanitarian aid activities, mirrors the real problem that the majority of NGOs face with the VAT regime of Ethiopia. Thus warranting reappraisal and revision.
- (d) VAT exemption helps compensate for the constraints on capital formation that NGOs face and can help in aiding those NGOs to better serve their beneficiaries.
- (e) NGOs perform functions that are supportive of central economic and social values and objectives that the government wishes to encourage and promote.
- (f) VAT exemption is a means of subsidization for particular services such as health care and education that would otherwise have to be provided by the government. Thus relieving the government of burdens that it would otherwise have to bear.
- (g) It is necessary for the government to create a better policy and working environment for NGOs and one way of creating a better policy environment can be the granting of VAT exemption for NGOs.

NGOs must be exempted from VAT because in more concrete terms;

- Development projects addressing the root causes of famine and drought should be identically treated by DPPC, as they are as important as relief operations.
- Development programs that address the root cause of drought and famine and alleviate poverty, for which agreements are signed with DPPC or which are recognized by DPPC have to fall in the exempt category as addressing the root causes of drought and famine is equally important.
- The administrative cost of NGOs will be higher if NGOs pay 15% VAT, as they will have to cover this cost from budget allocated for various projects.
- The system of VAT cannot collapse because of giving an exemption to the NGO Sector as it is already done for NGOs engaged in relief operations.
- The value created or generated by exempting NGOs from VAT far out ways the value of revenue to be collected from NGOs as can be proved by conduct a cost – benefit analysis.
- NGOs should not pay VAT because they do not add value to the service they render to communities as defined and envisioned by the VAT law nor are they the end consumers of the goods and services they provide to beneficiaries.
- As non-self serving agencies, the beneficiaries of all relief, rehabilitation and development programs implemented by NGOs are the poorest segment of communities. Therefore, NGOs should not pay VAT on purchases of materials and services for development projects that benefit the Ethiopian public.
- VAT does not encourage donors to support the work of NGOs in Ethiopia. The more so because their donation is not taxed and in fact is tax deductible in their country of origin giving them the incentive to grant donations to support NGOs activities. Thus imposing VAT on a tax-exempt donation will be a disincentive to the donors.
- Note that under the Income Tax Law of Ethiopia, Proclamation No. 286 of 2002, pursuant to article 12(2) that “ The Council of Ministers may, by regulation allow donations or gifts provided for **public use** to be deducted (emphasis added)
- Also note that most countries offer the same exemption on donations. Note more specifically the anomaly of exempting donation from income tax but taxing donation money by way of VAT when such money is used locally for various projects undertaken by NGOs.

- There is donor fatigue and fund raising is a challenge for local agencies and the VAT regime does not create an enabling environment.
- Therefore donor opinion on VAT must be taken into account and be given the serious consideration that it deserves.
- We must also take into consideration the far-reaching repercussions it can have on Ethiopia's development activities.

7. Is there a precedence for VAT exemption in Ethiopia?

- VAT exemption precedence has been created recently by virtue of an agreement reached between the United States Agency for International Development (USAID) mission to Ethiopia and the Ministry of Economic Development (MOFED)/ the Federal Income Revenue Authority (FIRA).
- Under this arrangement all USAID funded projects/ NGOs have been granted VAT exemption on items or services that they use for their projects. The exemption does not apply to projects/ NGOs that are partially funded by USAID.
- Under this arrangement/ agreement NGOs who abuse this privilege will lose their right for VAT exemption entirely and risk the possibility of prosecution.
- Note that it is not certain categories of goods and services that have been exempted under this arrangement but all items and services that NGOs use for their projects. Therefore the determining criterion is whether those exempted items or services are necessary for the specific project under consideration or not.
- A detailed procedure has been worked out for the application of VAT exemption under this arrangement and VAT exemption forms have been prepared.
- Briefly this is how the system works;
- The NGO seeking VAT exemption obtains a pro-forma or equivalent invoice which contains the unit and total cost, vendor's VAT registration number and fills out a form prepared by USAID for this purpose. The form contains the name of the project, project title, contract agreement number, start date and end date.
- The completed VAT exemption application form and the pro-forma are then submitted to USAID/Executive office, which sends it to FIRA VAT Department for its approval. The approved forms are then collected from the VAT Department and sent to USAID executive office. Then the beneficiary NGO collects the approved VAT exemption from USAID executive office.

- Hypothetically speaking, if project oriented NGOs are to be granted VAT exemption on items and services they need for their projects, CRDA can, in a similar manner, play the role of USAID executive office and emulate the already existing and established arrangement or procedure for VAT exemption.

8. Issues that need to be discussed and resolved with regards to the question of granting VAT exemption to NGOs

- With regards to the issue of tax exemption, it should be noted from the outset that there are no universally agreed world wide practice that sets the principle or foundation for according NGOs favorable and/or beneficial tax treatment nor is it a priority when assessing competing demands on limited government resources.
- Why should Ethiopia accord VAT exemption to NGOs? What is the rationale for tax exemption? What are the compelling and convincing arguments that can be forwarded in favor of VAT exemption for NGOs?
- If favorable tax treatment is to be accorded to NGOs, should such treatment apply across the board to all types of NGOs or only to certain types? Or should it be reserved, in whole or in part, just for some types of NGOs?
- Should differentiation of tax treatment be considered in terms of type of NGOs? Or in terms of the type of the purpose it serves?
- Should VAT exemption be accorded to mutual benefit organizations (MBOs), which principally serve the interest of their members or public benefit organization (PBOs), which benefit the public or some defined segment of it, which deserve or are entitled to greater benefits from the state? Should such tax treatment be extended preferentially or even exclusively to PBOs?
- VAT exemption for NGOs, calls for or goes hand - in - hand with forestalling by administrative means or by legislating a comprehensive screening mechanisms whereby only the NGOs earmarked for VAT exemption receive the intended benefit.
- Accordingly it is necessary to adopt rules and procedures to prevent abuse of the system and it is incumbent upon both the government the beneficiaries of the VAT exemption, to ensure that these rules are enforced scrupulously and rigorously.
- In this regard what procedures must be established for monitoring the continued appropriateness of such status for particular NGOs?

- In this connection how should the NGO Community Present itself and it's case? What are the necessary steps and measures that it must take in order to establish its credibility and legibility for being accorded VAT exemptions?
- Addressing the issue of VAT exemption for NGOs operating in Ethiopia, calls for the adoption of a clearly defined strategy. Does the NGO community have such a strategy? What should the strategy outline look like? How should a consensus be built around such a strategy?

9. The way forward, what needs to be done - suggestions

- All the options or alternatives at our disposal should be carefully examined and weighed. All the aforementioned issues need to be considered must be discussed and resolved. The pros and cons of the issues need to be clearly stated and articulated in order to present a clear picture to the stakeholders and in order to facilitate and shorten the decision making process and reaching of a consensus. The options or alternative to be chosen or favored must be made credible and sellable, least of all first and foremost to the NGO community and its constituency.
- Present a clear and present, credible and compelling case that can and should warrant the granting of VAT exemption by the government to this special category of organizations.
- To this end initiate and spearhead discussions on the issue with the view of creating awareness and forging a common position, understanding and outlook which is a prerequisite for any engagement with state actors and tax authorities. This task must commence at the earliest convenience.
- Provide empirical data on VAT paid to date and payable by NGOs. We need to solicit the cooperation of all NGOs who are willing and ready to furnish this vital input for articulating and building a solid foundation for requesting VAT exemption. This can be done in the form of a circular note and/or questionnaire.

With the objective to;

- Clearly indicate the burden that VAT has imposed on NGOs and by way of forecasting and projecting the burden it is bound to impose on NGOs. With the view of demonstrating how it can undermine their future planned activities, sustainability and violability.
- Serve as an indicator of the annual payment or amount paid by NGOs to the tax authorities by way of VAT. Which in turn can be used as an indicator of the

amount of revenue the tax authorities will lose or have to forego if and when they grant exemption to NGOs.

- Clearly and graphically demonstrate that the value created or added or generated by NGOs far out weighs the value or revenues to be collected from NGOs by way of VAT presenting a clear case of a cost – benefit analysis.
- Solicit the opinion of all stakeholders in this matter. These include donors, NGOs/CSOs, beneficiaries and yes, state actors within relevant and applicable ministries and other government institutions who work in partnership with NGOs.
- To this end create a discussion forum whereby all the stakeholders can meet, discuss and reason together.
- Elect and constitute a truly representative task force that can and will primarily facilitate the creation of the said forum and spearhead and oversee the compilation and harmonization of information and comments forwarded in such forum and represent the NGOs/CSOs in the engagement and negotiation process with relevant and applicable state actors.
- Designate CRDA and/or task force along with others, as need be, to act as interlocutors and negotiate with and conclude VAT exemption agreement and/or arrangement with MOFED.
- In consultation and cooperation with both the government and the beneficiaries of VAT exemption adopt rules and procedures to prevent abuse of the agreed system and devise a modus operandi to implement and monitor proper implementation of the VAT exemption for NGOs.
- To this end, through thorough discussion and consensus prepare and adopt a separate code of conduct governing VAT exemption of NGOs.
- Establish a body and/or office responsible for monitoring compliance with the adopted code of conduct and enforcement of adopted rules and procedures and agreement and/or arrangement reached with the government and other parties and ensure that these rules are enforced scrupulously and rigorously.
- In this regard it should emphatically be stated, that in the exercise of seeking and being granted tax exemption, the NGO community should undergo a rigorous and indeed unrepentant soul searching to clear and exorcize its congregation from any and all malpractice and unethical behavior and/or conduct so as to make sure that when it presents itself and its case to the government, it can stand tall and look the government eye to eye on this issue which is being pursued for and in the name of a broader public interest and the over all good of the country and the people of Ethiopia.

