Comments on the Tax Exemption report

General

- The report is comprehensive and has adequately responded to our expectation.

- Our prime interest is on "employment income tax" of individual expatriate staff of NGOs. Parts which extensively dwell on the general "tax exempt of NGOs", unless used to explain the general context, are not that priority for this review.

Specific comments

Page 13 - last parag. non-residents of Ethiopia with respect to their Ethiopian source of income' - better if you explain whether Ethiopian Diplomats residing elsewhere/abroad are required to pay tax on their employment to the Ethiopian Tax Authority or not.

Page 14 - Part on "Employee" and 'Contractor" - what if we consider NGO Directors as "Contractors"! Does that imply more taxes! Would be good if you reflect.

Page 15 last paragraph - the part on representation expenses - many NGOs do not know that they can provide representation allowances. Would be good if you elaborate that they can allocate up to 10% of salary as representation allowance.

Page 17 - The principle of reciprocity - needs more explanation. Does it apply for employment income? Who is benefiting - the individual? How is it related to the point on application of the tax law as stated on page 13 - last para., page 24 on Article 13 (c) does not mention of reciprocity

Page 19 - last bullet on Hardship allowance - How big can be this component? What if the Head Office of one international NGO allocates, say 50% of the salary, under this category considering that Ethiopia is an African Country with a lot of hardships? Of course the values most NGOs cherish does not allow such acts.

Page 20 - Part on "Exceptions and exemptions" - as I read through, the part on "Exceptions" is not adequately covered. May be that is all, but if you could elaborate further. The text dwells more on the general provisions for tax exemption of NGOs, and is better if it is focused to employment income tax exemption.

Page 21 - Para 3 on the Power granted to the Council of Ministers to allow tax deductible and exemptions - would be good if you indicate whether they have exercised the power or not since its enactment. Perhaps, our lobby can be a good entry to opertionalize their power

Page 22 with regard to bilateral exemption and double taxation - needs concrete example - say supposing there is such agreement, an Ethiopian Diplomat sent to UK only pays Ethiopian employment income tax, and the same does the UK diplomat in Ethiopia. In which case the individuals are not exempted but the employment income tax went to their respective home countries and not to the host. Then double taxation is in deed a burden to
the persons involved. If the new intention is to apply double-taxation there is a strong reason to oppose. Please elaborate with example.

Page 22 The part on double taxation seem to be contrary to exemption and we may not need it in this context. Whereas Article 42 (a) indicates that MOFED may enter agreement with other governments to avoid double-taxation. Some international NGOs used to have special agreement with specific ministries (w.g CBM a German NGO had specific agreement with MOLSA - which may include tax exemption as well!). Should we explore along this line!

Page 28 - 30 Under Tax Exemption Accorded to NGOs under Ethiopian Law - Better if you make it focused to aspects related to "Employment Tax Exemption", if any

Page 33 - Presentation of the case - last Parag - the recent trend is the opposite of what is stated. Government is getting the bigger chunk of ODA, and NGOs are advised to approach government for contracts. Gov - to - Gov channel has become to strong. Nevertheless, International NGOs still bring in large amount of scarce foreign exchange to the country. It is also true that the number of expatriate staff in NGOs is on a continuous decline. 'indeginization' is on the increase, and about 60% of the international NGOs do not have expatriate staff at all..