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## Review Article

# The Historical Development of Real Property Tax Laws in Ethiopia: A Critical Review of The Laws

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### Abstract

Effective system of real property taxation is important for the sustainable economy; to create a basis for decentralization of public governance; to captures property value for local governments. The purpose of this paper was to analysis the historical development of real property tax laws in Ethiopia. To do so, the researcher explored and analyzed the historical real property tax laws from both primary and secondary sources and analysis through qualitative data analysis techniques such as legal reasoning and content analysis. Real property tax development was very promising in the Imperial Era, but, due to the shift of land tenure system from privately owned to government ownership, the real property tax development was wrapped out.

**Keywords:** Real Property, Real Property Tax, Real Property Tax Laws.

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## Introduction

### Background of The Study

All the ancient and present governments in the world cannot discharge their responsibilities and exercise their powers without raising public revenues (Hugh Dalton, 2009). Public revenues are generally divided into tax revenues and non-tax revenues (Richard, 2004). Taxation is the earliest and most prevalent means of government interference with the economic life of an individual and enterprises. The author called Hugo Dalton (2009), an economist defined tax as, “a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax payer in return, and not imposed as a penalty for any legal offence.” He also emphasizes the

compulsory element in tax, when he stated, “a tax, by definition, is a payment, in return for which no direct and specific quid pro quo (give and take) is rendered to the payer” (Smriti Chad, 2017) Other authors Piracha & Moore stated that “taxation is the process of extracting money from people and organizations with no promise of any specific reciprocity.”

Taxation has existed in various forms since the earliest civilization began. In the ancient time, the source of wealth was land and its proceeds. Before the existence of a monetary system, taxes were paid by a percentage of crops raised (Rhoads and Bird, 1967). Generally, tax constitutes a significant part of public revenue in modern public finance



system. Taxation has macro-economic effects. It can affect the size and mode of consumption, pattern of production and distribution of income and wealth (Chand, 2017). From this general overview of taxation, we can say that income, consumption and property are the base to levy tax.

Urbanization is widely accepted an inevitable phenomenon (Ibid). In the developed countries, urbanization has been a consequence of industrialization and has been associated with economic development. In the contrary, in developing countries including Ethiopia, urbanization has occurred because of high natural urban population increase and massive rural-to-urban migration (Nigusie, 2011). Whatever, the means of urbanization is, peoples all over the world accumulate their wealth in the form of real property. The accumulation of wealth in the form of land and buildings is clearly correlated with economic growth. The governments of the nations have installed different social services and infrastructures following the 'horizontal' expansion of urbanization, which in return increased the value of the real property. Subsequently, urban local governments use (real property tax) to capture the value increment. Real property tax is an important source of revenue for local budgets. For countries with developing economies, it is important to establish an effective system of real property taxation to create a basis for decentralization of public governance (Julian Ware, 2017). Real property tax is one means to captures property value for local governments, some of the increases in property values that are partially created by public expenditures or even by private investors. It is especially when compared with other potential sources of local tax revenue. The reasons are that real property tax is visible and a clear indicator of one form of wealth (Buzu, 2014). Studies conducted on these types of tax over developing countries by prominent economist and others pointed the reality that it is a potentially attractive means of financing municipal government in developing countries (Adem and Kwateng, 2007). In some developed countries, property tax revenue covers up to 80% of the municipality expenditures and in developing countries up to 56 % (MoUDH, 2015). Since the main objectives of real property taxation are alleviating poverty and sharing, societal benefits with low-income and disadvantaged groups, it got global attention, i.e. the developed and developing countries have been reforming and modernizing Tom, Goodfellow, 2016). In Ethiopia, urban property tax was introduced on urban real property before 70 years Tadesse Lencho, 2012). There were laws, which have been enacted for property taxation in both the Imperial and Dergue regime. Some laws are even have been applicable still to today.

Urbanization is increasing with the high rate in Ethiopia (Tefera, 2014). Following the urbanization process the construction industry has been alarmingly expanding, provided that the urban dwellers accumulate their wealth in

the form of real property. These phenomena in return pave for the high demand of urban lands and infrastructures. Once again, the high demand of urban lands and infrastructures require sustainable source of revenue and tools for urban real property management. For these problems real property tax is one of the best mechanisms that many countries in the word have been using (Buzu, 2017). However, even though, it is agreed that real property tax is the best mechanism to generate finance and to have effective real property management, it is outdated and unstructured under the Ethiopian tax policy. And even, the unstructured nature of the real property tax paves for the unpopularity and sometimes the existence of it is debatable. On the other end, in the current tax system of almost all nations of the world, 'principle of legality' is needed, i.e. 'no law, no tax' principle. Real property tax reform has been and is still being undertaken in different developing countries, which have similar level of economic and social development with Ethiopia (Richard and Enid, 2003). The main objective of this study was to analyses the historical development of real property tax laws in Ethiopian. More specifically, the research had explored the history of real property taxation in Ethiopia.

### **Legislative History of Real Property Tax in Ethiopia**

Taxation in general, which was characterised as traditional system, has elongated history in Ethiopia. However, the modern system of taxation which transformed the face of Ethiopian taxation forever began after the eradication of the Italian in 1941(Tadesse Lencho, 2012). Proclamations on various aspects of tax bases including tax on immovable properties were enacted following the restoration of Emperor Haile Selassie I to his Majesty. The manifestation of the modern tax system which were proposed during the Imperial Era were, firstly, the laws has begun published under the official gazette of legal publications (Negarit Gazeta Proclamation No. 1, 1942). Secondly, the means of payment was changed from 'in kind mode of payment' to monetary value. The third one is that the institutions, even though not well organised, were introduced for real property taxation for the first time. To elaborate more, let me discuss the legislative history of 'real property' tax in Ethiopia by dividing it as Imperial and Dergue Era.

#### ***Real Property Tax Laws During the Imperial Era***

The concept of real property tax was introduced back to 76 years in Ethiopia. The first real property tax proclamation was introduced in 1942 (Wogene, 1942). What is surprising here is, the first real property tax proclamation was not pioneer in real property tax only rather it was one of the first modern tax proclamations in Ethiopia. These laws can be



classified as laws applicable in the country and applicable to the specific cities such as Addis Ababa.

### *Real Property Tax Laws Applicable in the Country in General*

#### **A. The 1942 and 1944 Land Tax proclamation**

From historical point of view, land revenue has been an important source of income to Government of Ethiopia, especially in the Imperial era (Tadesse Lencho, 2012). It can be said that it is one of the oldest taxes. It was the tax on the agriculturalists for holding land for agricultural purposes. It was compulsory payment and no agriculturalist exempted from it, of course, since we had different land tenure system, the land revenue system varied.

Proclamation No. 8/1942 was the first in kind, not only regarding to the real property tax but also in the Ethiopian modern tax history. The proclamation was enacted based on the Articles 9-11 of the first Ethiopian written constitution and the main objective of this tax proclamation was to raise the standard of living of Ethiopian people equally.

According to the proclamation, land tax was levied and collected from the land owners per 'gasha' Birr 15, 10, and 5 for fertile, semi fertile, and non-fertile land respectively provided that in provinces where the land was not classified in two *gashas*, the tax payable half of the rate in force in 1935 (Negarit Gazeta, proclamation No. 8, 1942). However, here what is important provision is that, the then Ministry of Interior was empowered to enact rules and regulations for measurement and classifications of lands. The tax was due on 10 December in each year (Negarit Gazeta, proclamation No. 8, 1942). Failing to pay on the said date, the landowners have been sued for and recover the tax with the full costs of courts. Nevertheless, appeal was a right on the grievance or disagreement on the classification and measurement of the land to the governor if the decision of the governor was final.

After two years' existence, proclamation No.8/1942 was amended and replaced by other proclamation called 'Land Tax Proclamation No. 70/1944'. As understood from the preamble of the proclamation, the main justifications of the amendment were firstly, the then government wanted to further modernizing based on the taxpayers' interest, secondly it was to reduce the problems of estimating the land and finally to reduce the cost of collection and administration of the tax. The other new thing this proclamation brought was that all services and fees payable before were repealed and replaced by the land tax. That means all types of the payments payable to the government were substituted by the land tax. The connection between the private individual who own land and the government with respect to payment was through the land tax only. In the main time, interpretation was needed for the repealed service and fees, and Land Tax (interpretation)

Proclamation No. 93 of 1947 was enacted. According to article 4 of proclamation No. 70/1944, this stated that '...any other taxes, services and fees heretofore payable are repealed and substituted by specific tax'. It was to mean that the previously mentioned provision applied only for obligatory taxes payable in respect of Land Tax and did not to mean for contribution for spiritual education and church contributions by the will of the people.

#### **B. The 1947 Education Tax Law**

Different tax that seemed other types of tax from the scratch were levied based on the rural and urban land holding rights. One of the best examples of this type was Education tax. In 1947, the Imperial Government of Ethiopia enacted Education tax upon the landholders for raising revenue for the provision of education as a public service (Negarit Gazeta, Proclamation. No. 95, 1947). As understood from the preamble of the proclamation, the purpose of this tax was only to expand the coverage of education throughout the country. The tax was collected with the land and agricultural income tax of 1944. That means the tax payer is expected to pay the tax with the land and agricultural income tax together. For this tax land was classified as 'fertile', 'semi fertile' and 'non-fertile'. For the then provinces Harar, Shewa, Wollo and Arsusi (now Arsi) Education tax paid Birr 15, 12 and 4.50 for fertile, semi fertile and non-fertile lands respectively and 6 Birr for unmeasured lands there. In the same token, for the provinces of Wellega, Sidamo (now sidama), Illubabur (now Iluababora), Gemugofa (now Gamogofa) and Kefa, the amount of tax paid Birr 13.50, 12, and 4.50 for fertile, semi fertile and non-fertile lands respectively and 6 Birr for unmeasured lands. To the rist holder in Shewa Amhara, the land was graded as first land, second land and third land and education tax was paid Birr 6, 4.50 and 1.50 respectively. Coming to the other then provinces, mainly Gojjam, Begemidir and Tigray, land was unmeasured for Education Tax. However, it does not to mean that, they were exempted from the paying tax, rather the way they paid was different from the other then provinces. The other issue has to be raised here is, the Education tax did not conspire urban lands as the base of tax originally. However, in the 1970s, the urban lands were part of the land holdings subject of the Education tax (Tadesse Lencho, 2012). Since the replacement of these taxes by the Dergue Government in 1978, Education tax was paid unforgettable benefit to the community of the countries. The tax was of local nature that means the community benefit directly from the tax they paid through the services provided to them. The level of accountability was good compared with the other types of tax because the fund was spent for the said purpose only.

The revenue collected through this tax was wholly discharged for the Education expenditures unlike other types of taxes (Negarit Gazeta, Proclamation. No. 95,



1947). The revenue was not only had the objective to be discharged for Education rather it was only for the provinces where the tax was collected. Because Article 8 of the Education Expenditure proclamation stated that, 'the Local Education Tax collected pursuant to the Land Tax proclamation of 1944 and the amendment thereto shall be expended only for the purpose of Elementary Education in the province from which the said tax was collected'. Local Education Board was established having the main duty to follow up all the tax collected and the expenditures and report to the then Ministry of finance. The then Ministry of Education with the approval of the Local Education Board had to classify the schools in the country as elementary, secondary and higher education. All expenses in connection with schools classified as elementary schools with the exception of schools in Addis Ababa were borne by the Educational Tax collected on the provinces where the schools situated. The elementary schools situated in Addis Ababa were excluded because the city of Addis Ababa had empowered to collect its own revenue. All the money collected was used for school infrastructure. This philosophy of tax resembled the advocate of the benefit view of the real property tax

### C. The 1959 Health Tax Law

The other tax law, which stated about levying tax based on the ownership of land, was health tax law, which enacted in the year 1959 (Negarit Gazeta, Decree No. 37, 1959). As clearly understood from the preamble of the health tax law, the purpose of introducing this type of tax was because of the need for additional finance for health services. The then Ministry of Finance was ordered to set aside the fund only for the purpose of expanding and improving public health facilities and Health service only, like that of Education tax. The amount of tax paid was based on the classifications of land fertilities. The then proclamation stipulated that the then provinces of Harar, Shewa, Wollo and Arsusi (now Arsi) Health tax paid Birr 15, 12 and 4.50 for fertile, semi fertile, and non-fertile lands respectively. In the same token, for the provinces of Wellega, Sidamo (now sidama), Illubabur (now Iluababora), Gemugofa (now Gamogofa) and Kefa, the amount of tax paid Birr 15, 12, and 4.50 for fertile, semi fertile, and non-fertile lands respectively. To the 'rist' holder in Shewa Amhara, the land was graded as first land, second land and third to 8<sup>th</sup> land and Health tax was paid Birr 6, for first land and Birr 0.60 for the 8<sup>th</sup> land annually for example. Coming to the other then provinces, mainly Gojjam, Begemidir and Tigrai, land was unmeasured for Health Tax. However, it does not mean that, they were exempted from the paying tax, rather the way they paid was different from the other then provinces. Taxpayers in these provinces paid 30%

additional of the taxes he is expected to pay for the Government in the given fiscal year.

The other issue needs to be raised here is, the health tax on urban lands was one of the bases unlike the education tax did in the beginning stage. The taxpayer paid 30% additional of the municipal tax in the fiscal year. For example, if the urban landholder is expected to pay Birr 100 municipal tax for the town, then with the Health tax, the taxpayer is obligated to pay Birr 130.

Since the replacement of these taxes by the Dergue Government in 1978, both Education and Health tax were paid unforgettable benefit to the community of the countries. The taxes were of local nature that means the community benefit directly from the tax they paid through the services provided to them. The level of accountability was good compared with the other types of tax because the fund was spent for the said purpose only.

### *Real property Tax Laws of Addis Ababa*

There was municipal proclamation No. 74/1945 which enabled the Municipal councils to fix Municipal taxes, to define what municipal taxes mean and to make provisions of summons of municipal councils.

As per the proclamation, the towns such as Addis Ababa, Harar, Gondar, Jimma, Dessie and Dire Dawa were declared as Municipalities where as other towns in the country were classified as Townships. Then the municipality councils were empowered to considered and decide on different matters save the implementation of the decision come to force after approved by the then Ministry of interior. The Municipality councils had power to decide among others, over the matters such as to propose town budget and assessment and collection of taxes as well as administration of Municipal revenue of any kind. Based on municipal proclamation, Addis Ababa city administration enacted many regulations or the then Orders and legal notices. Even though, the above-mentioned cities got the same status as of Addis Ababa, there is no evidence whether they enacted laws on this regard or not.

### A. *Municipalities General Rate Assessment Rules*

Addis Ababa Municipality rule for the assessment and levying of the General Rate on immovable property, 'Legal Notice'<sup>1</sup> 86/1945 was the first law enacted following the municipal proclamation. According to this law, the general tax rate for land and buildings located in Addis Ababa was assessed based on the grade of the land and the income or profit that an owner or a user who has the right to occupy the government land generated. The general rate was determined by tax officers and then approved by the Mayor

delegated to various government officials. It can best be labelled as subordinate legislation.

<sup>1</sup>"Legal Notice", was used mainly for the publication of Rules and Regulations, and Municipal Law, authority for which has been



subject to the examination and review of the Municipal Council. The assessment of the general rate was conducted based on the revenue needed to finance the annual budget of the city and this was done through a general rate list developed, endorsed and published by public notice issued by regulations every fiscal year. The rating lists shall be opened for the public at large for inspection during the beginning of the year i.e. September. Special notice was communicated for the owners of immovable properties in writing if the property was assessed for the first time and if the assessed value was 5% more than the previous years. Any tax payer who had a protest to pay the tax could present his protest in writing with pertinent reasons to municipality council within 25 days after the notification. Having the objection, the municipality council shall hold hearing within 30 days from date it received the written protest and might decide for reassessment or appropriate modification of assessment made. Another important lesson here is the tax payer can have a counsel. All these procedures indicated that how and how much the then Government tried to be trusted by the Government.

Coming to the exemption, government buildings, religious and charitable buildings or premises were not included in the tax assessment lists. Here the word 'religious' did not mean that all types of religions rather it is to mean only the Orthodox church buildings and premises as understood from the Amharic version of Article 5 of the Legal Notice.

### ***B. Municipalities General Rate Order***

In conformity with the above-mentioned proclamation and legal notice, the Addis Ababa Municipal General Rate Order, Legal Notice 87/1945 came in place. This order classified Addis Ababa in to three class areas and each class areas in to two categories for the purpose of taxation. These are the first-class areas mainly in the areas of what we are calling Piazza, Merkato, some part of Kollife, Arat Killo, Sidist killo and generally the then centre of Addis Ababa and had access of main roads in the centres were considered as first-class urban properties.

The first categories of the first-class area are mainly in the above mention parts of Addis Ababa and nearby the main roads. The amounts payable was for plots of 50 square metres or less, Birr 2 annually, for plots more than 50 square metres up to 100 square meters, Birr 4 annually and for plots more than 100 square metres the rate payable on the excess over 100 square metres was calculated at the rate of Birr 4 per 100 square meters.

The second categories were those immovable properties situated at the distance of 150 metres from the main roads or from the limits of the first category. Just like the first category, the Legal Notice stipulated the amount payable for the immovable property situated under the second category were payable, for plots of 500 square metres or less, Birr 3 annually, for plots more than 500 square metres

up to 1000 square meters, Birr 5 annually and for plots more than 1000 square metres the rate payable on the excess over 1000 square metres was calculated at the rate of Birr 5 per 1000 sq.

The third categories were those immovable properties situated at the distance of 150 metres from the second categories up to the second-class area. Just like the first and the second category, the Legal Notice stipulated the amount payable for the immovable property situated under the second category were on the other hand, Birr 3 annually for plots of 500 square metres or less, Birr 5 annually for plots more than 500 square metres up to 1000 square meters, and for plots more than 1000 square metres the rate payable on the excess over 1000 square metres was calculated at the rate of Birr 5 per 1000 sq.

The second-class areas were mainly next to the first-class areas. Like the first-class area the Legal Notice categorized in three.

The first category comprised all immovable properties in the second-class area and within 150 meters from the main roads. The immovable property owner was liable to pay for plots of 500 square metres or less, Birr 2 annually. For plots more than 500 square metres and up to 1000 square meters, Birr 3 annually. For plots more than 1000 square metres the rate payable on the excess over 1000 square metres was calculated at the rate of Birr 3 per 1000 sq.

The second category comprised immovable properties in the second-class area are not included in the first category. The immovable property owner was liable to pay for plots of 500 square metres or less, 1 Birr, for more than 500 square metres up to 1000 square meters, Birr 2 were paid annually. In addition, for plots more than 1000 square metres the rate payable on the excess over 1000 square metres was calculated at the rate of Birr 2 per 1000 sq.

The third-class area comprised all the land within the limit of Addis Ababa municipality, which was not included in the two class areas mentioned above.

The third-class area all-immovable properties, which were 150 meters from the main road, were first category. The immovable property owner was liable to pay for plots of 500 square metres or less they paid Birr 1 annually. For plots more than 500 square metres up to 1000 square meters, Birr 2 annually; and for plots more than 1000 square metres the rate payable on the excess over 1000 square metres was calculated at the rate of Birr 2 per 1000 sq.

In same token, second categories of the third-class area were not included in the first category rates payable were; for plots of 500 square metres or less, Birr 1/4 annually; for plots, more than 500 square metres up to 1000 square meters, Birr 1/2 annually; and for plots, more than 1000 square metres the rate payable on the excess over 1000



square metres was calculated at the rate of Birr 1/2 per 1000 sq.

**C. The Amendment Legal Notice 118 of 1948**

Some of the contents on General Rate Rules Legal Notice 86/1945 were later repealed, and the general tax rate was replaced by percentage rate. According to this Legal Notice, 2 percent of the rental value of building leased for rent or utilized for business purposes for a monthly price above Birr 10 was payable by the owner as per the determination of the Addis Ababa Municipal Taxes Assessment Committee.

Here one had to notice that, when reading this Legal Notice, the original Legal Notice No. 86/1945 could be read together because the only thing deleted and added is schedule ‘B’.

**D. The 1964 Land and Building Tax Regulation**

The Municipal Amendment Legal Notice No. 118/1948 was later replaced by the Addis Ababa Land and Building Tax Regulation. The new regulation comes with no change of the percentage rate. While the land tax was based on the grade of the land, the building tax was on the rental value of property rented to tenants or used by owners for business purposes.

As clearly understood from the schedule attached with the regulation, land was graded for three grade zones and the first grades sub graded into three and the other two in to two sub grades. The land taxed is shown in Table 1.

Grade three is different from the above two and the payment for section one was Birr 2 and 4 for land below or up to 500 sq. and land above 500 sq. respectively. In addition, for the second section it was Birr .075 and for land below or up to 1000 sq., the land above 1000 was Birr 0.75 per each additional sq.

Like other regulations, in this regulation there were lands and buildings exempted from tax. Those are classified as ‘for both land and buildings’ and for building alone. For both land and buildings, buildings and their compounds

owned by the then Government, schools, public hospitals, churches, and mosques were exempted from tax. Here what good news, were buildings and compounds owned by mosques were included unlike the previous one.

**E. The 1968 Land Tax Classification Law**

The Addis Ababa land tax classification regulations were promulgated by the Kantiba<sup>2</sup> of the city of Addis Ababa in accordance with article 6 of the 1964 regulation, Legal Notice No. 301/1964. The 1964 regulation, which was the base for this regulation, was called the principal regulation. The main purpose of the regulation was to announce the classified land located within city of Addis Ababa by the then Land and Building Assessment Department of the city, according to the principal regulation. The regulation empowered the Land and Building Tax Assessment department of the city to reclassify the Land and Buildings from time to time.

**Real Property Tax Laws During the Dergue Era**

*Real Property Tax Laws Applicable in the Country in General*

**A. The 1976 Urban Land Rent and Urban Houses Tax Law**

In 1975 all urban lands and ‘extra houses’<sup>3</sup> were nationalized by the Dergue Government which changed the tenure and tax system. Then the Dergue Government enacted Proclamation No. 80/1976 following the declaration of the above-mentioned proclamation. The preamble of this proclamation stated about the necessary of the proclamation. It was due to the increment of the number of urban dwellers and change in the standard of living. These changes in other words demanded more services and infrastructures in the towns. The then Ministry of interiors with consultation of Ministry of public work and housing had power to enact regulations for the better implementations of this regulation. Addis Ababa city was given a special power to issue regulation for the better utilization of this proclamation.

**Table 1:** Taxes for land

Plots in Sq.	Grade 1		Grade 2		
	Sub-Grade 1 (Rates in Birr)				
Up to 50	5	4	3	1.50	1
Above 50	0.10	0.08	0.06	0.03	0.02

Source: Author’s compilation from the Regulation

<sup>2</sup>Kantiba is the Amharic meaning of the English word Mayor.

<sup>3</sup>Extra house meant an urban house whether rented or used otherwise owned, other than a single house required or occupied as a dwelling place by person or family, urban houses required or occupied by an organization as a dwelling place for its employees or persons under

its responsibility and urban houses required for running business of a person, family, or an organization. **See also**, Art. 2(3) of Government Ownership of Urban Lands and Extra Houses Proclamation No. 47, 1975.



Previously i.e. during Emperor Haile Selassie, as discussed before, taxes were urban land tax and Building Taxes but since Urban Lands were nationalized, what was paid in lieu of urban land tax was Urban Land Rent in Dergue Era.

Like other old land rent and urban houses taxes, this proclamation classified urban in to three grades. And according to Article 5 of the Proclamation, a legal possessor of urban land is required to pay annual land rent that is to be assessed on the basis of the size of the plot and location of the plot in the concerned city, to be categorized as Grade 1, 2, or 3. The Proclamation clearly indicated that the plot used for the construction of residential or commercial purposes would be treated differently. Look the following two tables to understand more.

Schedule 1 shows the urban land rents for urban land used dwelling house construction were paid based on the

**Schedule 1:** Rate of urban land rents used dwelling house construction

Area of urban land (Square meter)	For grade 1 Birr/ sq. m	For grade 2 Birr/ sq. m	For grade 3 Birr/ sq. m
Up to 500	0.06	0.04	0.02
501-1000	0.08	0.06	0.04
1001-1500	0.11	0.08	0.05
1501-2000	0.13	0.10	0.07
2000	0.16	0.14	0.12

Sources: Proclamation No. 80/1976

**Schedule 2:** Urban land rents for urban land used commercial house construction

Area of land	Rate of Rent on land in grade 1(in dollar)	Rate of Rent on land in grade 2(in dollar)	Rate of Rent on land in grade 3(in dollar)
Per square meter	Up to 0.06	Up to 0.04	Up to 0.02

Sources: Proclamation No. 80/1976

**Schedule 3:** The annual rental value of the concerned house

Annual Rental value of houses (in Birr)	Tax Rate
Up to 600	1%
600-1200	1.5%
1200-1800	2%
1800-2400	2.5%
2400-3600	3%
3600-4800	3.5%
4800-6000	4%
Above 6000	4.5%

Sources: Proclamation No. 80/1976

following rates. For instance, a possessor who had a plot of land whose square meter was 1000 Sq. m paid Birr 80, 60 and 40 for grade 1,2 and 3 annually until Yekatit 30, respectively.

On the other hand, schedule 2 shows the urban land rents for urban land used commercial house construction were paid based on the following rates. For instance, a possessor who had a plot of land whose square meter was 1000 Sq. m paid Birr 60, 40 and 20 for grade 1, 2 and 3 annually respectively.

With respect to the real property tax payable on urban houses, the Proclamation stipulates that the percentage of the annual rental value of the concerned house was used as a basis for determination is given in schedule 3.



As we can see above for annual rental value of up to Birr 600, 1% tax rate applies, and the maximum rate defined was 4.5% and the rate was progressive with the increase in the annual rental value and recognizes rate for values that exceed Birr 6,000

The assessed value of houses which is more than Birr 100 shall be made by the then Ministry of public works and housing or by person or organization delegated by him. And if the assessment value of houses which is less than Birr 100 shall be made by the then Ministry of public works and housing or by person or organization delegated by him in co-operation with appropriate cooperative society of urban dwellers

After an assessment made, the body that assessed have to submit to the Municipalities or in absence of it to the town administration. The Municipalities or town administration then shall notify the taxpayers the assessed property tax through registered mail or in person.

The other importance lesson from this proclamation is the appealing procedures. Appealing committee had to be organized for this purpose only. Then if the taxpayer dissatisfied by the assessment, he/she appealed within 30 days after notification to appeal committee established. The question is what if the taxpayer dissatisfied by the decision of appeal committee? He/she granted a full right to appeal to Awraja court after paying the tax or rent within 30 days after decision rendered, Municipalities or Town administration can also apply against the decision of appeal committee to the Awraja courts. Here the right of the taxpayers to appeal to court is also a good lesson, unlike the current tax system do.

Ministry of Public Work and Housing had an obligation to pay 5% of the rent and tax collected to the Municipalities or in absence to town administration. This provision indicates that the fund raised through real property tax was not discharged on the urban centers where it collected. This is against the very characteristics of real property tax, which is local by nature.

Finally, the proclamation under article 14 listed the real properties, which were exempted from the urban land rent and urban houses taxes. Accordingly, Public roads, squares, recreation and sports centers and cemeteries; Places of worship and their compounds, nonprofit making private schools, hospitals, charitable institutions; government institutions drawing their budgets from the central Treasury; and welling houses whose annual rental value is less than Birr 300, were exempt.

### ***B. The 1979 Urban Land Rent and Urban Houses Tax Regulation***

The then Ministry of urban development and housing pursuant to the authority vested in him by Art. 19(1) of

urban land rent and urban houses tax proclamation No. 80/1976, it enacted Legal Notice No. 64 of 1979. The land classification was the same as the proclamation did with the additional of sub classifications. The urban land classified in to sub classes such as plot for agriculture and plot business and services.

The new issue added was congress or council or policy committee is empowered to classify the urban land. Place of payment is on the Municipality or center of urban administration is also new thing added. The other provisions are the same as of the proclamation has and even, the Proclamation seems more detail than the regulation.

### ***C. The 1979 Provincial Urban Land Rent and Urban Houses Tax Regulation***

The assessment of urban land rent since 1975 has been conducted by applying a fixed rate per square meter of land to different land categories according to size or use, as indicated by Schedules 1 and 2 of Proclamation No. 80/1976 (as amended by Proclamation No. 161/1979). A different Schedule II of Proclamation No. 161/1979 have replaced Schedule II of Proclamation No. 80/1976.

Three factors were considered in the determination of the actual land rent. The first factor was the grading of the urban areas, which was divided into three categories for both residential and business zones. Each grade of urban area was further subdivided in two sub grades, namely, urban land for service and industry and agriculture (Proclamation 161/1979 Article 2[3]). The second factor was the use of the land plot for either dwelling or business and the third factor is size. A fixed annual rental rate is assigned to each category of the size of the land based on its grading and use. The third factor was the size of the urban land.

*The 1976 Addis Ababa Land Rent and Houses Tax Regulation*  
Addis Ababa city pursuant to the power of given by Article 19(2) of proclamation No. 80/76, it enacted its own Land Rent and Houses Tax Regulation, Legal Notice No.36/1976. The Regulation was intended to repeal the former applicable laws such as mainly Land and Building Tax Regulation, Legal Notice No.301 of 1964 and Land Tax Classification Regulation Legal notice 341 of 1968 and others too.

To sum up the historical background of real property tax and its contributions, the imperial Era was good when we compared with the Dergue Era. This is because the change of tenure system from the private ownership to the Public. The Dergue regime nationalized all types of lands and many buildings in 1975 by proclamation. Due to this, the amount of real property tax and land rent became diminishing from year to year. The contribution of real property tax to the national treasury was decreasing from the year 1961-1989. In the years 1961-1965 property tax covered 11.6% of the revenue and 10.6% for the years 1966-1970. The years



1971-1975, 1976-1980, 1981-1985-1985 and 1986-1989, real property tax accounted 9.5%, 8.3%, 7.2% and 6.3% respectively (Alemayehu Geda and Abebe Shimelis, 2005).

## Summery and Conclusion

Real property tax in Ethiopia was introduced during the modernization of the country's tax system in 1940s. The first real property tax law i.e. Proclamation No. 8/1942 was enacted in 1942. Following this, the real property tax legislations that were applicable in the country as whole or for Addis Ababa Municipality come to be implemented. The 1947 Education Tax and the 1959 Health Tax, which were levied based on land holding rights have been brought on the board during the imperial era and can be categorized as real property tax laws. Based on Municipal Proclamation No. 74/1945, the then Addis Ababa Municipality, enacted Municipalities General Rate Assessment Rules Legal Notice 86/1945, and levied tax on immovable property. Other legislations promulgated based on this law such as Municipal General Rate Order, Legal Notice 87/1945 was introduced. Then after 3 years, Legal Notice 86/45 was repealed by Legal Notice 118/1948 and the general rate was replaced by percentage rate. In 1964, the Addis Ababa Land and Building Tax Regulation, Legal Notice No. 301, come to enforce by replacing the 1948 Legal Notice. This regulation brought two types of taxes: land tax levied based on grades and building tax levied on the annual rental value of the building with same percentage rate as of the previous.

Come to the Dergue era, the 1976 Urban Land Rent and Urban Houses Tax Proclamation No. 80/1976 and Regulations enacted for the implementation of this proclamation and for Addis Ababa City Administrations Land Rent and Houses Tax Regulation can be mentioned. There was urban land rent and urban house tax. For urban land rent, three factors were considered: grading and sub grading, the purpose of the urban land (dwelling or business) and the size of the land. Based on these factors fixed rate for each was applied. For houses, tax was calculated base annual rental value depending on the purpose of the house i.e., for dwelling or for commercial.

## Declaration of Interests

I confirm that this work is original and has not been published elsewhere nor is it currently under consideration for publication elsewhere and the author declare that there is no conflict of interest.

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