

Ethiopia: Modernisation of Tax Administration Project

The challenge:

Ethiopia has taken steps to reform and improve its tax administration in the past few years, but there were still gaps that needed to be addressed.

Heavy reliance on manual system makes the taxpaying process cumbersome for both tax payers and tax administrators.

Taxes are filed manually causing delays and long queues at Ethiopia Revenue and Customs Authority (ERCA) offices. This has led to a large deployment of human resources in ERCA offices. There is no interconnection between ERCA and other government agencies, so information has to be shared manually. There is a delay in obtaining statistical information as tax returns are received manually. All this has a negative impact on the ability of businesses to easily pay taxes in Ethiopia and the ability of Government to collect adequate revenues.



The solution:

ICF worked with the Government of Ethiopia to modernize the tax administration of ERCA by providing an online tax filing system so that taxpayers they can submit their tax returns online. The project implemented an electronic tax filing system for the Large Taxpayers Office as a pilot. It also established a call centre that would allow taxpayers to get more information and better services from ERCA. The total cost of the project was US\$ 1.922m. Of this, ICF provided US\$ 1.322m and the Government of Ethiopia provided US\$ 600,000.

Impact:

The e-Tax system is now fully operational at the Large Taxpayer Office in Addis Ababa. It has reduced the time taken to submit tax applications and effect payment to 1 day. Large taxpayers have been trained on its functionality and have begun using it. Over 500 tax officials have been trained in the new tax administration system, including trainers of trainers.

A call centre has been established within ERCA to facilitate interaction with all taxpayers, and taxpayer education initiatives have already brought improved revenue collection.

Project duration: June 2010 – July 2012

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