

CHAPTER FOUR

TURN OVER TAX (TOT)

Proclamation No. 308/2002 and its
amendment No. 611/2008

Jurisdiction and Purpose of TOT

- TOT of individual traders is for states where as TOT on plcs are for federal government (joint decision of HPR and HOF)
- To equalize tax obligation
- To create fair and balanced commerce activity
- Raise revenue for public goods and services

Nature of TOT

- Domestic applicability
- Single stage tax
- It has cascading effect
- No refund

Scope of TOT (art 3)

- The scope of turnover tax is on supply of goods and services by persons who are not registered for value added tax domestically.
- From this it can be inferred the following elements
 - Scope of person: person **not registered for VAT**
 - Scope of supply: goods and services with in Ethiopia

TOT exemption (art 7)

- Exemption of goods and services from VAT are similarly exempted from TOT.

TOT rates (art 4)

- We have two rates of TOT
- 2% for the sale of any good
- 10% for service except the following
 - Contractor , grain mills tractors and combine harvesters are taxed with 2%
 - What can be the reason?

Obligations of tax payers

- To declare the return with in their specified time
- To keep records properly
- To notify the tax authority of their transaction activity.