Tax ID Number and Finger Print requirement

The Ethiopian government proclamation number 286/94 required all tax payers to register their businesses with the Ethiopian Custom and Revenue Authority (ECRA) office, submit the business owner's finger print, and obtain a Tax Identification Number (TIN). For Ethiopians living outside of Ethiopia obtaining accurate and timely information to comply with this proclamation has been rather difficult.   This is an attempt to clarify the requirement, the timeline for compliance, and provide other relevant information.

ERCA operates in a society where the concept of paying a Value Added Tax (VAT) is new and in environment where taxes were levied at the discretion of ECRA employees. This situation has nurtured corruption and encouraged tax evasion.

To its credit, the ECRA office is one of the most transformed government offices in Ethiopia and has been relatively successful in enforcing the tax law. ERCA is now actively using a bio-metric based tax payer registry system known as Standard Integrated Government Tax Administration System (SIGTAS) to register tax payers. SIGTAS generates a unique Tax Identification Number (TIN) once a bio-metric data (right and left index finger print) of the business owner is scanned in to the system. A TIN is akin to the nine digits Social Security Number (SSN) the US government assigns to all its citizens.

What is a Tax ID Number (TIN)?

TIN is a single unique Federal level Tax ID Number (much like a US SSN or Employer ID Number you see on your W2 forms) issued by the ERCA office in Ethiopia. Only one Tax ID Number is required in Ethiopia regardless of the number or location of businesses owned and operated.

Who needs to get a Tax ID Number?

The short answer is: every Ethiopian needs to get a TIN. More specifically, in the short run, people who are earning a taxable income on a business or a rental property in Ethiopia need to get a TIN and pay taxes.

If you don't earn a taxable income in Ethiopia now but you are entertaining opening a business or renting a real estate property in Ethiopia in the future, you are better off submitting a finger print and getting a TIN at the earliest convenience.

Where does one get a Tax ID Number?

A TIN can be obtained by filling out a form and submitting a finger print at one of the many ERCA branch offices located throughout the country.

What is the current finger print requirement status?

If you are an Ethiopian or Ethiopian origin living outside of Ethiopia and if you already earn a taxable income in Ethiopia, meaning you are an owner of a business currently operating in Ethiopia under your name, then you should already have some kind of TIN. The only thing missing is scanning your finger print and attaching it to your existing TIN. The requirement for you to submit your finger print has been waived until June 30, 2011.

If you are an Ethiopian or Ethiopian origin living outside of Ethiopia and you are in the process of making a new investment to open a new business in Ethiopia, then you are required to submit a finger print scan and get a TIN first. This has to be done as part of getting your business license.

Do I have to travel to Ethiopia to submit a finger print?

As things stand now, the answer is yes. But ERCA understands the difficulty with such a requirement and it is planning to send its own staff to USA (Washington DC and Los Angeles) to help facilitate the finger print submission process. The staff tour is tentatively planned to take place in April 2011. ERCA is also considering extending the staff tour to other cities where a larger contingency of Ethiopian reside. Once schedules are finalized, ERCA will make an announcement. But it is advisable to make a contingent plan a travel to Ethiopia before June 30, 2011 in the event that the ERCA staff fails to travel to USA.

Are they ever going to make it easier to get a TIN?

ERCA is looking in to allowing tax payers get their own notarized finger prints and mail it in to the nearest Ethiopian mission office. ERCA is working with SIGTA vendor to modify the system so that it can scan a finger print from a hard copy. This may take a few months to complete.