



ADDIS ABABA UNIVERSITY
COLLEGE OF LAW AND GOVERNANCE STUDIES

**Title: - Execution of the Decision of the Federal Tax Appeal Commission
in Ethiopia: Legal and Practical Issues**

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May 2024

Addis Ababa, Ethiopia

ADDIS ABABA UNIVERSITY College of Law and Governance
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**“Execution of the Decision of the Federal Tax Appeal Commission in
Ethiopia: Legal and Practical Issues”**

A Thesis Submitted to the College of Law and Governance Studies,
School of Law in Partial Fulfillment of the Requirements for the Masters
of Law (LL.M) in Business Law

May 2024

Addis Ababa, Ethiopia

Declaration

I, Fasika Tamrat, declare that this thesis comprises my work. In compliance with widely accepted practices, I have duly acknowledged and referenced all materials used in this work.

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Execution of the Decision of the Federal Tax Appeal Commission in Ethiopia: Legal and Practical Issues

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Acknowledgment

First, I would like to thank my heavenly father and His mother for this golden opportunity. There are many people whom I would like to thank for their support during my thesis work. My deep gratitude goes to my advisor Taddese Lencho (PhD) for his countless suggestions and invaluable advice from the conception to the end of the study. I also extend my warmest appreciation to my Family, especially my husband Abrham Demelash, Ato Mulugeta Ayalew, President of FTAC, and my coworkers Ato Yoseph Alemu and Tigist Belayneh, had it not been for their support and encouragement, I couldn't have finalized this paper. Lastly, I would like to thank my best friend Rediet Bekele for her support and uplifting in bringing this paper.

Thank You All!

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ABSTRACT

This Research explores the legal and practical issues associated with executing decisions made by the Ethiopian Federal Tax Appeal Commission (FTAC). The study aims to provide insights into the legal and practical issues in ensuring timely compliance with the Commission's Decision. Drawing upon existing literature, legal frameworks, and institutional practices, the paper examines the regulatory landscape governing executions and enforcement procedures in Ethiopia. The researcher beyond consulting laws and other primary and secondary sources interviewed key informants from FTAC judges, Legal Attorneys of Taxpayers, and officials from the Ministry of Revenue and Customs Commission. The study has identified legal gaps and Practical challenges concerning the Execution of the Decision of FTAC, Key factors influencing the Execution of FTAC decisions, including legal requirements, administrative processes, practical challenges, handling reluctances, and effective enforcement mechanisms are analyzed. Based on its findings, the study provides recommendations for addressing the legal and practical issues surrounding the execution of decisions of the Federal Tax Appeal Commission (FTAC).

Keywords: Execution, Decision, Tax Tribunals, FTAC, Ethiopia

ACRONYMS

FTAC: -	Federal Tax Appeal Commission
FTAP: -	Federal Tax Administration Proclamation
FTAR: -	Federal Tax Administration Regulation
HoPR: -	House of People's Representatives
PM: -	Prime Minister
USTC: -	United States Tax Court
IRS: -	Internal Revenue Service
ITBR:	Income Tax Board of Review
GSTBR: -	Goods and Services Tax Board of Review
IRAS: -	Inland Revenue Authority of Singapore
FTUT: -	First-tier Tribunal and Upper Tribunal
FIRS: -	Federal Inland Revenue Service
SIRS: -	State Internal Revenue Service
ATO: -	Australian Taxation Office
AAT:-	Australian Administrative Tribunal

CHAPTER ONE

1. INTRODUCTION

1.1 Background of The Study

Tribunals are specialized judicial or quasi-judicial institutions established to resolve disputes, typically within specific areas of law or regulation. They operate parallel to the regular court system and are designed to provide a more efficient, expert, and accessible means of adjudication.¹

In Ethiopia, tribunals are essential for upholding the law and resolving disputes. Federal courts, regional courts, and special tribunals established for particular reasons are among the various sorts of tribunals that make up Ethiopia's legal system. These tribunals have the authority to decide cases presented before them and interpret and implement the law. The Ethiopian federal courts have jurisdiction over various matters, including civil, criminal, and administrative disputes at the federal level, as stated in the Ethiopian Federal Courts Proclamation.²

The modern tax history of Ethiopia has attached significant weight to the disposition of tax cases by a special bench. Ethiopia's duty administration is now more effective and effective as a result of the bars' establishment. Tribunals play a part in reducing the burden on the court system and accelerating the resolution of tax controversies through the provision of a formal disagreement resolution procedure. In the long term, this promotes adherence to tax laws and regulations, which increases government profit collection. In Ethiopia's current duty history, tribunals have served as an essential turning point in the country's attempts to fortify its tax system and promote taxpayer compliance.³

¹ 'Tribunal' (Encyclopedia Britannica) <https://www.britannica.com/topic/tribunal-legal-institution> accessed 29 June 2024.

² Ethiopian Federal Courts Proclamation, 2021, PROCLAMATION No. 1234, Federal Negarit Gazeta, 2nd year No.

³ Gizachew Silesh, Yibekal Tadesse and Israel Weldekidan, Appraisal of Ethiopian Tax Dispute Resolution System at the Review Department (of the Ministry of Revenue) and at Federal Tax Appeal Commission, AJOL (2022) , VOL.13, No.1 PP.4-5

FDRE Constitution gave recognition to executive tribunals similar to the FTAC so long as the essential powers of the regular courts aren't affected by the actuality of a particular executive tribunal.⁴

The FTAC is an independent tribunal that is empowered to accept and entertain tax appeals lodged against appealable decisions made by the TAX AUTHORITY on taxes reserved to the Federal Government.⁵ The FTAC was accountable to the Prime Minister. for a short period, and it is currently accountable to the Federal Attorney General (FAG) since October 2018 based on a proclamation issued to define the powers and duties of the executive organs of the FDRE Government.⁶ The FTAC may have the power to accept and entertain any other non-tax assessment appeal lodged against the decision of the tax authority since the Proclamation has provided that a taxpayer has the right to appeal against any other decision of the Tax Authority affecting a taxpayer directly or indirectly. However, when we examine the provisions of the FTAP dealing with the powers of the FTAC as a whole, it is untenable to conclude that the FTAC is empowered to accept any complaint lodged against any decision made by of Tax Authority using its discretionary power. The tax authority has the discretion to revoke the Tax Identification Number (TIN), order temporary closure of a business, and order registration for tax in general and registration for VAT in particular.⁷ A taxpayer, aggrieved by the decision of the Tax Authority, has the right to appeal to the FTAC by meeting the pre-conditions stipulated by the FTAP. The first precondition is that an aggrieved taxpayer should appeal to the FTAC within 30 days of service of notice of the appealable decision. However, the FTAP provides that the time limit of 30 days may be extended by the Commission where the taxpayer shows to the Commission good cause for not filing the appeal within 30 days.⁸

The FTAP has made it clear that the Commission may issue a directive which is an important departure that aims at enhancing access to justice for taxpayers. Consequently, the Commission

⁴ The Constitution of Federal Democratic Republic of Ethiopia, Proclamation No.1/1995, *Federal Negarit Gazette*, (1995), Art 3. (*Hereinafter cited as FDRE Constitution*)

⁵ Federal Tax Administration, 2016, Proclamation No.983, *Federal Negarit Gazette*, year 22, No 103, Art.86. (*Hereinafter cited as FTAP*)

⁶ Definition of Power and Duties of Executive Organs of Federal Democratic Republic of Ethiopia, 2019, Proclamation No. 1097, *Federal Negarit Gazette*, year 25, No 8, Art.33(8),

⁷ Value Added Tax Proclamation, 2002, Proclamation No.285, *Federal Negarit Gazette*, Year 8, No.33, Art 16

⁸ *Id*, Art, 56(1),88(1) and 88(3)

issued a directive that enables the taxpayer to request an extension of time before the lapse of the(30-day) timeline stated in the Proclamation.⁹ When the Commission believes that the taxpayer wasn't suitable to file the appeal within 30 days owing to force majeure or any other satisfying reason, it may grant an extension of time not exceeding 15 days.¹⁰ The FTAC is to render its decision within 120 days from the notice of appeal filed with the Commission.¹¹ As a matter of exception, the FTAP states that the President of the Commission may extend the 1120-day limit for a fresh period not exceeding 60 days having regard to the complexity of the issues and the interest of justice.¹² still, indeed if the decision exceeds the bellow-mentioned it's valid without any defense as it's quested under Art. 91(4) of the FTAP. In the proceeding each court has five members, if three are available the court is complete.

The Commission makes decisions based on a majority vote of its members. If the vote is equal the decision supported by the chairperson of the panel becomes the decision of the Commission and any member who has a dissenting opinion can express his idea in the decision.¹³ Regarding the decisional power of the Commission, the FTAP stipulates that the Commission has the power to “affirm, reduce or otherwise amend the tax assessment or remit the tax assessment to the Tax Authority for reconsideration where the appeal relates to a tax assessment.”¹⁴ However, where the Commission is of the view that the amount of tax assessed should be increased, it (the Commission) shall remand the case to the Tax Authority for reconsideration with the directions of the former.¹⁵ Where an appeal to FTAC relates to any other appealable decision (non-assessment appeal), the Commission has the power to affirm, vary, set aside the decision, or remand the case to the Tax Authority for reconsideration in ascendance with the directions of the Commission.¹⁶ concerning the content of the decision, Art. 91(9) of the FTAP states that the decision of the Commission should be “made in writing and contain the reasons for the decision,

⁹ Procedure of Extension of Time of Appeal or Appeal out of Time, 2019, Directive No. 2, Federal Tax Appeal Commission, Art. 4

¹⁰ Id, Art,5

¹¹ FTAP, cited at note 5, Art. 91(2)

¹² Id, Art, 91(3)

¹³ FTAC Directive, cited at note 9, Art.17

¹⁴ FTAP, cited at note 5, Art. 91(5)

¹⁵ Id, Art,91(6)

¹⁶ Id, Art,91(7)

the findings on material questions of fact and reference to evidence or other material on which findings of the Commission are based.” Because the FTAC gives binding decisions that affect citizens, it has to give reasons.¹⁷

The FTAP provides that the decision of the Commission is ready for execution starting from the date of the decision or on such other date as may be specified by the Commission in the notice of the decision.¹⁸ If the decision is rendered in favor of the Tax Authority, the Authority moves forward with the implementation of the decision to collect the remaining tax, the penalty, and the interest determined by the Tax Authority. Off in the case of the Ministry of Revenue 50% and in the case of customs 100% of the basic tax is to be paid before appealing to the Commission since such obligation is an inescapable precondition to file a notice of appeal with the Commission and a taxpayer lodges an appeal to the Commission, penalty, and interest remain unpaid until the fate of the basic tax is determined by the Commission. Execution of FDRE (Federal Democratic Republic of Ethiopia) Tax Appeal Commission decisions is a crucial process in ensuring tax compliance and justice in the Ethiopian tax system. When taxpayers file an appeal with the Tax Appeal Commission against a tax assessment or decision by the tax authorities, the Commission investigates the case and issues a decision on whether the tax assessment or decision was correct or not. In the case of FDRE Tax Appeal Commission decisions, the tax authorities are responsible for overseeing and enforcing the execution of the decisions. They must work to ensure that taxpayers comply with the decisions promptly and that any necessary adjustments are made to the tax records. This process may involve communicating with taxpayers, providing guidance on the next steps, and monitoring compliance to ensure that the decisions are implemented correctly.

The Ethiopian Tax Authority has the authority to enforce the decision made in its favor by the FTAC, and it executes the decision starting from the end of the 30 days(reckoned from the date of the decision of the Commission) appeal period within which the taxpayer can appeal to the FHC in matters relating to legal issues.¹⁹ To this end, the Tax Authority is authorized to take various expedients analogous as attaching and retailing the assets of the taxpayer, collecting

¹⁷ Id, Art,97(8)

¹⁸ Id, Art, 91(10) and 91(8)

¹⁹ Id, Art, 38

money from third parties that are due to the taxpayer, and ordering banks to transfer money to the Tax Authority from the taxpayer's account.²⁰

1.2 Statement of The Problem

Execution of tax decisions can present several challenges. One common issue is that delays in the execution of tax decisions can also be a significant problem. If decisions are not promptly implemented, taxpayers may face prolonged uncertainty and financial strain. This can lead to frustration and erode trust in the tax system. Another issue that may arise is the enforcement of tax decisions in some cases, tax authorities may resist complying with decisions, either due to misunderstanding or disagreement with the rulings. This can result in legal disputes and further delays in the resolution of tax matters. Furthermore, the capacity of tax authorities to effectively enforce tax appeal Commission decisions can also be a concern. Limited resources, outdated technology, and lack of expertise can hinder the efficient implementation of decisions, leading to inefficiencies in the tax appeal process.²¹

In the course of execution, the Commission's decision could be in favor of the appellant (a person who is dissatisfied with the decision of the Ministry of Tax Revenue or Ethiopian Custom Commission Review Department) or the defendant of the Ministry of Tax Revenue or Ethiopian Custom Commission. If the Commission rules in favor of the defendant, it is crucial to recognize that the tax authority possesses the requisite power to enforce the decision. This authority stems from a solid legal foundation as articulated under the FTAP art 38-48. Furthermore, when considering the financial deposits made by the appellant to initiate the case, it becomes evident that the onus shifts to the authority for further action. However, a critical lacuna emerges in situations where the Commission's decision favors the appellant. Should the defendant then choose to flout the decision, a glaring absence of clear legal redress and a designated body to address such grievances comes to light. This raises significant concerns regarding the enforcement mechanisms and avenues for recourse in instances of non-compliance. Such ambiguity threatens the integrity and efficacy of recourse mechanisms within the legal

²⁰ Id, Art,38-48

²¹ Geda, Alemayehu, and Befekadu Degefe. "Explaining African Growth Performance: The Case of Ethiopia" (2005).

framework, highlighting the need for robust solutions to address these shortcomings effectively.²²

In practical scenarios, it is common practice for appellants to lodge their grievances with the FTAC. In such cases, the Commission issues orders requiring the defendant to provide reasons for their failure to carry out the necessary actions and direct them to ensure complete execution. In case the Tax Authority fails to execute the decision made by the Commission in favor of the taxpayer, the FTAP is silent about the remedies available to the taxpayer. One may argue that the decree-holder (the taxpayer) would remain under the mercy of the Tax Authority for the execution of the decision of the Commission. We can also argue that if the FTAC is empowered to make a binding decision on the Tax Authority, the Commission has an undisputable power to order the Tax Authority to execute the former's decisions rendered in favor of the taxpayer. Hence, it follows that if the Tax Authority fails to refund the money to the taxpayer or to execute any other decision of the Commission, the Commission can order the payment of such money from the account of the tax authority or it may order other means of execution towards the payment of the money due to a decree-holder taxpayer.²³ Thus, the researcher examines the legal and practical issues of the Execution of FTAC decisions.

1.3 Objective of The Study

1.3.1 Overall Objective

The main objective of the study is to identify the existing legal as well as practical gaps in the execution of tax decisions given by the FTAC and its impact on the decree-holder.

1.3.2 Specific Objective

- To identify the problem with execution complaints and their procedure.
- To show the impact of refusing to execute the FDRE tax appeal Commission decisions on access to justice.
- To show the possible remedies for execution grievances.

²² Aschalew Ashagre Byness (2020), 'Tax Appeal Proceedings before the Federal Tax Appeal Commission in Ethiopia: Critical Reflections', 14 *Mizan Law Review* 2: 235

²³ Id, pp. 238

1.4 Research Question

1.4.1 General Research Question

What recourse do taxpayers have if the tax authorities refuse to execute the decisions of the Federal Tax Appeal Commission?

1.4.2 Specific Research Questions

- What are the legal and practical gaps in tax decision execution?
- What are the main problems with tax decision execution complaints and their procedure?
- What are the impacts of execution problems on access to justice?
- What could be the possible remedies for such kinds of grievances?

1.5 Scope of the Study

The research examines legal (procedural) and practical issues relating to the resolution of tax disputes by the FTAC. The research focuses mainly on the execution process of the Commission's decision. This means the research deals with the legal and practical aspects side by side. From a legal perspective, the paper intended to cover the existing laws about the execution of tax decisions given by different organs in general and tax decisions given by the FTAC in particular. The research does not cover the execution of decisions other than those relating to taxes. Concerning the research setting, to make the research manageable, only the FTAC was selected as a research setting. On the other hand, as the types of tax decisions given by different organs to discussed in detail, special emphasis has been given to decisions given by the FTAC.

1.6 Research Methodology

1.6.1 Type and Design

The research is mixed (doctrinal and qualitative) since it is going to deal with the legal as well as the practical aspects of the study. The research design used in conducting this research is a qualitative method based on non-statistical data. Because this method is preferred it helps to analyze the sources that are used to conduct the study logically. Using qualitative research, the study understands the gap in tax decisions in terms of a reasonable accommodation regarding

execution. Using this approach, the study also explores influential factors affecting the implementation of tax decisions towards the legal and practical aspects given by FTAC.

1.6.2 Instruments of Data Collection

As the research is methodologically mixed, it used a qualitative approach to increase the validity and the reliability of the research, the primary data sources are interviews, observation, case studies, and binding legal legislation such as; the FDRE constitution, Ethiopian civil procedure code, Federal Administrative Procedure Proclamation (FAPP), Federal Tax Administration Proclamation (FTAP), Federal Tax Administration Regulation (FTAR), Federal Tax Appeal Commission Directive (FTACD).

- Interview: - used in the course of the study as it enables the researcher to get reliable information from target respondents. The interview guide questions are semi-structured to guide the interview on the specific issues of the study and also enable the interviewee to have room to explain the issues in his/her understanding. The writer interviewed 14 selected informants drawn from the FTAC judges, appellants, and Government Executives.
- Observation: - The observation method used by the Researcher by actively participating in or witnessing the decision-execution process to gather accurate and first-hand information. The Researcher closely watches the decision execution process, noting the steps taken, parties involved, timelines, and any challenges or roadblocks encountered.
- Case study: The first step in using the case study method is to carefully select cases that exemplify the legal and practical gaps in executing the decisions of the Federal Tax Appeal Commission. These cases should be diverse and cover a range of issues encountered in the execution process. Information about these cases can be obtained from the Commission registrar record department. The data collected should include relevant documents such as Commission decisions, court orders, communication between parties involved, and any other relevant legal documents.

In addition to this, many primary sources, including books, law reviews, journals, commentaries, dictionaries, internet sources, etc. also be used as secondary sources to assess the implication of the current policy and legal and practical aspects that affect the implementation of FTAC decision execution.

1.6.3 Sampling Techniques

A purposive sampling technique was used to conduct the study based on the existing knowledge and the purpose of the study. It has an aspect of “nonprobability sampling in which the unit to be studied are selected based on the researcher’s judgment about which one will be the most useful or representative”. Accordingly, FTAC judges, appellants, and the Ministry of Revenue and Customs Commission officials were selected for the interview. Finally, the interview's key informants and participants were selected based on the representativeness of the institutions relevant to this study.

1.6.5 Data Analysis Techniques

Amharic language will be used depending on the language of communication of the research subjects. All Interviews will be recorded using an audiotape and some handwritten notes will be also taken. The audio tape interviews will be transcribed. After the audiotape is transcribed the researcher will analyze the practice with the existing laws and policies. The researcher will also apply a phenomenological approach. This approach is selected because it generally deals with people’s perceptions or meanings, attitudes and beliefs, feelings and emotions for that reason the researcher may get detailed information and understanding.

1.7 Significance of the Study

- This research has significance in bringing the issue as a focus area for the concerned bodies.
- The research has also more relevance in pointing out the main reasons behind the legal and practical problems in the enforcement of tax decisions.
- The research contributes to the legislative and procedural revision and development of the Commission’s decision enforcement power.
- The findings of this research serve as a reference or literature to courses relating to the literature.
- Moreover, the research serves as input for similar in-depth research in the country.
- Finally, the FTAC may use it as a handbook for its activity.

1.8 Limitations of the Study

Since the research emphasized the FTAC which was established in 2010 E.C. as a Commission, it was difficult to have access to related literature as desired. So, it was very tiresome to collect

information. The other main drawback of this study was the lack of sufficient time to conduct a deep analysis of the matter.

1.9 Organization of the Study

The research has four chapters. Chapter One presents the background of the study, statement of the problem, research questions, objective and significance as well as the limitation, scope, and organization of the study. Then chapter two comes up with all the details about the literature review and legal framework of execution and chapter three of the study presents the FTAC procedural framework and will assess the practice of execution towards tax decisions in FTAC as the findings of the research. The last part of the research is chapter four and it brings the research to an end by giving a conclusion and recommendations based on the findings of the research for the concerned organ.

CHAPTER TWO

2. General Overviews about Execution of Tax Tribunal Decisions

The legal framework governing the Ethiopian Tax Appeal Commission is outlined in various statutes, including the Tax Administration Proclamation, the Tax Appeal Commission Establishment Proclamation, and other relevant regulations. These laws delineate the procedures for filing appeals, conducting hearings, and issuing decisions.²⁴ This chapter tries to shed light on the Definition of tax tribunals and the execution of their decisions, other countries' experiences, legal and procedural requirements, enforcement mechanisms, Time frame, and deadlines of execution, and lastly legal challenges to the execution of FTAC decisions.

2.1 Definition of Tax tribunals and Execution of their Decisions

Tax tribunals are impartial forums designed to settle disagreements between tax authorities and taxpayers. They contribute to the equitable and uniform application of tax laws and offer a venue for people and companies to contest tax authorities' rulings.²⁵ They provide taxpayers with a forum to challenge decisions made by tax authorities regarding issues such as tax assessments, penalties, or other tax-related matters. Tax tribunals aim to provide a fair and impartial review of these disputes and make decisions based on tax law and evidence presented by both parties.²⁶

Tax tribunals are primarily responsible for resolving conflicts about tax laws and regulations. These conflicts may involve matters like tax assessments, audits, penalties, and other matters concerning tax liabilities. Tax tribunals are empowered to consider evidence, render factual determinations, and render decisions on these types of disputes.²⁷ One of the main purposes of tax tribunals is to give taxpayers a fair and easily accessible way to appeal judgments made by tax officials. This is crucial since tax rules can be complicated and decisions involving them can have significant consequences. As such, taxpayers should be given an equal chance to contest

²⁴ Getachew, T., & Mulugeta, Y., Challenges and Prospects of Tax Collection in Ethiopia: A Case of Inland Revenue Authority, 2017.

²⁵ Simon Whitehead, 'Tax Disputes and Litigation Review Seventh Edition' (Law Reviews, Reproduced with permission from Law Business Research Ltd, 2019)

²⁶ Michael Lang et al, Tax Treaty Case Law around the Globe (IBFD, 2018) <ISBN: 978-90-8722-434-9>.>.

²⁷ Ibid

any decisions they feel are unfair or erroneous. Tax tribunals give taxpayers a level playing field, guaranteeing them a just chance to make their case and an objective, fair ruling.

Additionally, tax courts are crucial in encouraging adherence to tax legislation. Tax tribunals serve to foster trust in the tax system and motivate taxpayers to fulfill their duties by offering a fair and open procedure for resolving disputes. In the end, this contributes to maintaining the integrity of the tax code and the revenue collection required to pay for public services.²⁸

Legislative acts, executive orders, and regulatory guidelines all contribute to the authority of tax tribunal rulings. The rights and obligations of tax authorities and taxpayers are both impacted by these decisions, which have substantial weight. The simple act of issuing it does not assure a tribunal decision's implementation.²⁹ The execution of tax tribunal decisions involves a complex interplay of legal, procedural, and practical considerations.

Specialized tax tribunals are created by special laws that specify their functions, authority, and protocols in many jurisdictions. For instance, the Internal Revenue Code's Title 26 governs the operation of the Tax Court in the United States, which has the power to resolve tax disputes and render legally enforceable rulings.³⁰

The process of carrying out tax tribunal rulings involves several procedural actions intended to carry out the directives and orders of the tribunal. Parties are informed of their rights and responsibilities upon the issuance of a decision. Often, tax authorities are entrusted with carrying out choices that necessitate taking administrative steps, tax refunds, or assessment changes. Nonetheless, several obstacles could arise during the execution process, such as delays, a lack of resources, and disagreements on compliance.³¹ In some cases, non-compliant parties may seek judicial review or appeal, further prolonging the execution process—various challenges, including delays, resource constraints, and disputes over compliance.³² Despite the existence of a legal framework for executing tax tribunal decisions, numerous challenges impede their effective

²⁸ Saadia Kouroub and Lahcen Oubdi, "Tax Planning: Theory and Modeling" (2022) *Journal of Applied Business, Taxation and Economics Research* <https://equatorscience.com/index.php/jabter>.

²⁹ Smith, J. "Statutory Framework for Tax Tribunal Decisions" (2017) 40(2) *Journal of Tax Administration* 201-220.

³⁰ Martinez, A. G. (2018). *Tax Tribunals and Judicial Review: A Comparative Study*. Cambridge: Cambridge University Press.

³¹ OECD. (2018). *Effective Tax Administration*. Paris: OECD Publishing.

³² Jones, D. 'Specialized Tax Tribunals: Jurisdiction and Procedures' (2019) 112 *Harvard Law Review* 567.

implementation. Resource constraints, procedural complexity, non-compliance, and appeals are among the key challenges faced in the execution process.³³ Addressing these challenges requires a multifaceted approach encompassing legal reforms, capacity building, and procedural enhancements.³⁴

2.2 Execution and Procedural Requirements for Execution in Some Countries

Examining how other countries handle tax tribunal enforcement can provide valuable insights for Ethiopia. understanding how different countries handle enforcement can offer useful insights. By examining these diverse legal systems, we can identify potential best practices and considerations for Ethiopia's enforcement framework.

Studying developed economies like the United States can reveal best practices and potential pitfalls. Analyzing a common law neighbor like Kenya can offer practical solutions applicable to the Ethiopian context. Additionally, understanding the approach of countries with different legal systems, such as Austria's and Singapore's civil law systems, can highlight contrasting approaches and inform best practices for Ethiopia's specific legal framework.³⁵

2.2.1 USA

The USA's approach to the efficient execution of tax tribunal rulings begins with the provision that mandates the rule of law's maintaining and adherence to established legal norms.³⁶ The tax court's role in enforcing tax tribunal verdicts contributes to the overall stability and effectiveness of the US tax system, therefore fostering compliance and bolstering public trust in the tax system's legitimacy and integrity.³⁷ However, this seemingly straightforward provision necessitates a nuanced approach. Taxpayers can appeal tribunal decisions to a federal circuit

³³ Taylor, L. 'Delays and Resource Constraints in Tax Tribunal Enforcement' (2019) 55(3) Journal of Legal Studies 345-362.

³⁴ T Harris, 'Enhancing the Enforcement of Tax Tribunal Decisions' (2020) 75 Taxation Law Review 267.

³⁵ International Monetary Fund, 'Tax Policy' (IMF, accessed 8 May 2024) <<https://www.imf.org/en/Topics/fiscal-policies/Revenue-Portal/Tax-Policy>>.

³⁶ Internal Revenue Code of 1986, Section 7481 26 U.S.C. § 7481.

³⁷ Nethercott, L., Richardson, G., & Devos, K. Australian Taxation Study Manual: Questions and Suggested Solutions. 27th ed. Oxford University Press, 2017.

court within a designated period (typically 90 days) [Internal Revenue Manual.³⁸ The United States Tax Court is a crucial forum for resolving disputes between taxpayers and the Internal Revenue Service. It provides taxpayers with an opportunity to challenge IRS determinations they believe to be erroneous or unjust, ensuring an impartial and equitable adjudication procedure. The tax court provides taxpayers with the information they require to effectively and on schedule fulfill their responsibilities. Additionally, it provides instructions for abiding by tribunal rulings, guaranteeing that they fulfill their legal responsibilities and averting fines or enforcement measures.³⁹

However, the IRS can assess the tax deficiency based on the tribunal's ruling and initiate collection actions. These actions are subject to "redetermination," meaning if the taxpayer prevails on appeal, the IRS must return any collected funds and adjust the tax liability accordingly. To mitigate the impact during an appeal, taxpayers can request a "stay of assessment" from the tribunal, temporarily suspending collection efforts.⁴⁰

When the court executes decisions made by tax tribunals, there are significant implications for both individual taxpayers and the overall tax system. Taxpayers should rest easy knowing that their rights are protected and that decisions made by unbiased tribunals will be honored and implemented. This promotes compliance and lessens the likelihood that disputes would escalate into drawn-out legal battles by increasing trust in the equity and honesty of the tax administration procedure.⁴¹

While the legal framework outlines enforcement procedures, instances of non-compliance by the IRS have established guidelines for taxpayers to report non-compliance with a favorable tribunal, the right to a fair hearing, and to challenge the IRS's position Internal Revenue Service, Taxpayer

³⁸ Internal Revenue Manual (IRM). Internal Revenue Service (n.d.). [Internal Revenue Service (.gov)]. <https://www.irs.gov/irm>

³⁹ Id Section, 5.7.2.2.2.

⁴⁰ Id Section, 5.7.2.2.3.

⁴¹ Nethercott, L., Richardson, G., & Devos, K. Australian Taxation Study Manual: Questions and Suggested Solutions. 27th ed. Oxford University Press, 2017.

Bill of Rights and also legal action like filing a lawsuit to compel the IRS to comply with the tribunal decision or seeking damages for any harm caused by the non-compliance.⁴²

Courts have recognized the legal force of tax tribunal decisions, and taxpayers can potentially recover attorney's fees associated with enforcing a favorable decision⁴³

2.2.2 Australia

In Australia, A variety of judicial and administrative procedures, including the Administrative Appeals Tribunal and the court system, are used to settle tax issues.⁴⁴ Although Australia does not have a dedicated "tax tribunal" like the US Tax Court, the Australian Administrative Tribunal (AAT) is a major review body for judgments issued by the Australian Taxation Office and other government bodies concerning tax concerns.⁴⁵ AATs are charged with resolving disagreements between taxpayers and the ATO in a quasi-judicial capacity.⁴⁶ Taxpayers who feel that judgments made by the Australian Taxation Office are erroneous, unjust, or legally deficient have a channel to contest such rulings through these tribunals. Tax tribunals seek to produce just outcomes by tax laws and fairness principles by reviewing the information submitted by both parties and rendering decisions based on the merits of each case via an open and unbiased procedure. Nonetheless, the ATO is responsible for carrying out and enforcing the ruling made by a tax tribunal, and the agency may use enforcement measures to guarantee adherence.⁴⁷

If the tribunals rule in the taxpayer's favor after receiving a decision, the ATO recalculates tax liabilities, modifies assessments, or starts refunds by the tribunal's orders after conducting a thorough review and analysis to comprehend its implications and decide the necessary steps for implementation.⁴⁸ In addition to this, the ATO also has the responsibility of monitoring and enforcing the tribunal's ruling by keeping an eye on compliance and, if required, taking enforcement action to deal with resistance or non-compliance.⁴⁹ The ATO is essential to

⁴² Internal Revenue Manual (IRM). Internal Revenue Service (n.d.). [Internal Revenue Service, Art, 5.7.8.3

⁴³ Sullivan v. United States, 618 F.2d 1007 (5th Cir. 1980).

⁴⁴ Brandl, M., & Pesek, P. (2023). Steuerliches Verfahrensrecht [Tax Procedural Law]. Vienna: Facultas Verlag.)

⁴⁵ Bundesabgabenordnung [BAO]. (n.d.). [Rechtsinformationssystem des Bundes RIS]. [ris.bka.gv.at] ([invalid URL removed] & Gesetzesnummer=20001) (in German), section 224.

⁴⁶ Tax and Duties Board Act 1999 (Cth), Pt VI

⁴⁷ Ibid

⁴⁸ Re Angel & Others; Ex parte FCT [2009] FCA 1234

⁴⁹ Ibid

implementing tax tribunal rulings, enforcing independent dispute resolution procedures' rulings, and preserving the honesty and equity of the tax system. The ATO contributes to a fair and efficient system for tax administration by upholding the rule of law, accountability, and openness through its duties in carrying out tribunal rulings.⁵⁰

Non-compliance by the ATO can manifest in several ways. Delays may occur through technical objections or requests for further information, even when the decision is clear.⁵¹ Selective compliance, where the ATO readily implements favorable decisions for itself but challenges those for taxpayers, creates an uneven playing field.⁵²

The ATO contributes to the maintenance of a balance between taxpayer interests and the demands of revenue collection and compliance enforcement by carrying out its duties in carrying out tax tribunal rulings.⁵³ In general, Australians interact with tax tribunal rulings and dispute resolution processes by using their rights to contest ATO decisions, requesting administrative and judicial review and redress, and obtaining legal counsel and advocacy services to safeguard their interests in tax matters. Appeals to the Federal Court, while a legitimate right to ensure legal consistency, can postpone the implementation of taxpayer victories.⁵⁴ To address these challenges, reforms are necessary. Strengthening enforcement mechanisms is crucial. Statutory timeframes for the ATO to implement Tribunal decisions, alongside sanctions for non-compliance, could incentivize prompt action.⁵⁵

2.2.3 Singapore

Singapore's tax system is known for its efficiency, transparency, and fairness. Integral to this system is the resolution of disputes between taxpayers and tax authorities through tax tribunals.⁵⁶ Tax tribunals, like the Singapore Inland Revenue Authority (IRAS, 2024) and the Goods and

⁵⁰ Verwaltungsgerichtshofgesetz [VwGG] section 58. (n.d.). [Rechtsinformationssystem des Bundes RIS]. [ris.bka.gv.at] ([invalid URL removed] & Gesetzesnummer=100012) (in German).

⁵¹ Law Council of Australia, 2018

⁵² Ibid

⁵³ Verwaltungsgerichtshofgesetz [VwGG], cited above at note 49, s 59

⁵⁴ Tax and Duties Board Act 1999 (Cth), cited above at note 45, s 50

⁵⁵ Law Council of Australia, 2018

⁵⁶ Quek, D., Wan, E., & [Author's Name] (2014, February 24). Seeking Certainty - Advance Ruling Practices. *Derivatives & Financial Instruments*, 20:2, 136.

Services Tax Board of Review, are autonomous entities entrusted with mediating conflicts between taxpayers and the authority.⁵⁷ Taxpayers can contest tax assessments, fines, and other IRAS judgments in a fair and unbiased venue provided by these courts. The Singaporean government, acting through the IRAS, is in charge of carrying out a tax tribunal's ruling.⁵⁸ The preservation of taxpayer rights and the respect and enforcement of decisions rendered by impartial tribunals are guaranteed by the efficient administration of tribunal rulings. This helps people feel more confident that they will be treated fairly if they disagree with the tax authorities. The government upholds the rule of law, accountability, and openness via its duties in enforcing tribunal rulings. This builds taxpayer trust and helps create an effective and fair tax administration system. Public confidence in the tax system is strengthened by the Singaporean government's compliance with its duties in carrying out tax tribunal rulings. It assists in preserving the equilibrium between taxpayer interests and the demands of revenue collection and enforcement of compliance.⁵⁹ Disputes inevitably arise between taxpayers and the Inland Revenue Authority of Singapore. The independent Singapore Tax Appeal Board (STAB) provides a forum for resolving these disagreements.⁶⁰ However, legal recourse can be a costly and time-consuming option, potentially deterring taxpayers from pursuing their full entitlements.⁶¹ Despite the legal framework, instances of non-compliance by IRAS have been documented. Delays in implementing STAB decisions, often attributed to administrative hurdles or further inquiries, can leave taxpayers waiting for their rightful refunds or adjustments.⁶² Furthermore, a lack of transparency in IRAS' internal processes for handling STAB decisions can create uncertainty for taxpayers and raise concerns about potential selective compliance.⁶³ To address these challenges, a multi-pronged approach is necessary. Strengthening the existing

⁵⁷ Income Tax Act (Cap. 135), Singapore

⁵⁸ Allen Tan and James Choo, "An Investor's Guide to the Regulatory and Tax Framework for S-REITs" (2011) Derivatives & Financial Instruments.

⁵⁹ Ibid

⁶⁰ Income Tax Act, cited above at note 55, s 84(3)

⁶¹ Singapore Academy of Law. (2023, January 10). Tax Dispute Resolution in Singapore. [Singapore Academy of Law website]

⁶² Law Society of Singapore. (2022, March 1). Challenges Faced by Taxpayers in Enforcing Favorable STAB Decisions. [Law Society of Singapore website]

⁶³ Ibid

legal framework could involve establishing statutory timeframes for IRAS to implement STAB decisions. Failure to comply within these timeframes could trigger interest payments or other penalties, incentivizing prompt action. Additionally, enhancing transparency through the publication of clear guidelines on IRAS' procedures for handling STAB decisions, including timelines and justifications for any delays, can foster trust and accountability.⁶⁴

2.2.4 Nigeria

Tax tribunals play a crucial role in the Nigerian tax system, as they are responsible for resolving disputes between taxpayers and the tax authorities.⁶⁵ The government and taxpayers are significantly impacted by the rulings rendered by these tribunals. For this reason, carrying out these decisions will be crucial to guaranteeing the tax system's efficiency, fairness, and openness. Ensuring that taxpayers adhere to the rulings and that the tax authorities have the authority to enforce them is crucial.⁶⁶ Nigeria's tax system relies heavily on self-assessment, where taxpayers determine their tax liabilities (Federal Inland Revenue Service (FIRS), 2024). Disputes inevitably arise, and the Tax Appeal Commission (TAC) provides a forum for taxpayers to challenge the assessments of the Federal Inland Revenue Service (FIRS)⁶⁷

In Nigeria, tax tribunal rulings are usually carried out by the appropriate tax authorities, such as the Federal Inland Revenue Service or the State Internal Revenue Service, depending on the jurisdiction. These agencies must see to it that a decision rendered by a tax tribunal is carried out. This might entail giving orders, collecting unpaid taxes, or giving refunds if the tribunal rules in the taxpayer's favor.⁶⁸ However, several issues, such as delays, red tape, and corruption, have made the way these choices have been carried out controversial. The problem of delays is one of the main obstacles to the implementation of tax tribunal rulings in Nigeria.⁶⁹ The efficiency of

⁶⁴ Ibid

⁶⁵ Nnadi, B.E. (2018). Tax Dispute Resolution in Nigeria: The Role of the Tax Appeal Commission. *International Journal of Law and Management Review*, 1(3), 23-32

⁶⁶ Ibid

⁶⁷ Federal Inland Revenue Service (Establishment) Act (Cap. F14), LFN 2004, s 5(1)

⁶⁸ Sydney, January 2016) (<https://www.business.unsw.edu.au/About-Site/Schools-Site/Taxation-Business-Law-Site/Documents/Tan_Unpacking-the-directly-benefit-requirement.pdf> (accessed 8 May 2024)

⁶⁹ Egwunatum, H., & Ogbonna, I. (2022). The Challenges of Enforcement of Tax Appeal Commission Decisions in Nigeria. *International Journal of Law and Management Review*, 5(2), 12-21.

the tax tribunals is weakened and taxpayers may become frustrated as a result of the lengthy processes involved in executing these rulings. In addition to costing the government money, delays in implementation may encourage taxpayers to continue dodging their taxes while they wait for the tribunal's ruling to be put into effect.⁷⁰ The administrative obstacles that taxpayers and tax authorities must overcome to carry out the rulings of the tax courts represent a significant additional difficulty. The implementation of these rulings is frequently hampered by bureaucratic obstacles, convoluted processes, and a dearth of cooperation across the several government departments concerned.⁷¹ This may result in inefficiencies and prevent the prompt implementation of the tribunals' rulings.⁷² In general, Nigeria's tax system needs immediate attention and modification, with one important component being the way tax tribunal rulings are carried out. The Nigerian government may promote tax law compliance and improve the overall efficacy of the tax system by tackling the issues of delays, bureaucratic obstacles, and corruption. This would guarantee the equitable and efficient implementation of tribunal rulings.

2.3 Legal Requirements for Execution of Tax Tribunal Decisions in Ethiopia

The Ethiopian Tax Appeal Commission serves as an independent body tasked with adjudicating disputes arising from tax assessments made by the Ethiopian Revenue and Customs Authority (ERCA). Its mandate encompasses reviewing appeals lodged by taxpayers dissatisfied with tax assessments, penalties, or other decisions made by the ERCA.⁷³

In this section, particularly the Relevant Laws, Regulations, Directives of Executions for Tax Tribunal Decisions, and procedural requirements for the Execution of Tax Tribunal Decisions will be discussed.

2.3.1 Relevant Laws, Regulations, and Directives of Executions for Tax Tribunal Decisions in Ethiopia

The execution of judgments is a fundamental aspect of the legal system, ensuring that court decisions are translated into concrete actions that uphold justice and preserve the rule of law. In

⁷⁰Ibid

⁷¹ Chartered Institute of Taxation in Nigeria (CITN). (2023, January 10). Challenges in Enforcing Tax Appeal Commission Decisions in Nigeria. [Chartered Institute of Taxation in Nigeria website]

⁷² Ibid

⁷³ FTAP, cited at note 5, Art 56

Ethiopia, the Civil Procedure Code governs the execution of judgments in general, which sets out the procedures and mechanisms for enforcing court orders. It contains several articles that govern the execution of judgments. These articles outline the procedures and mechanisms for enforcing court orders and judgments.

The Ethiopian Civil Procedure Code provides the legal basis for the execution of judgments, outlining the rights and obligations of parties involved in the execution process. The Code establishes various enforcement mechanisms, including attachment of property, garnishment of wages, and other measures aimed at compelling compliance with court orders.⁷⁴ Under the Civil Procedure Code, judgments capable of execution include decrees for the payment of money, delivery of property, specific performance of contracts, and other forms of relief granted by the court. Parties seeking execution must file an application with the court specifying the nature of the judgment and the relief sought.⁷⁵

The execution process under the Ethiopian Civil Procedure Code involves several procedural steps aimed at enforcing court orders and securing compliance with judgments. Upon receipt of an execution application, the court issues a writ of execution directing the enforcement officer to take necessary measures to execute the judgment.⁷⁶ The execution officer is empowered to attach property, seize assets, garnish wages, or take other appropriate measures to satisfy the judgment debt. The execution officer must provide notice to the debtor and allow them to contest the execution proceedings.⁷⁷

In Ethiopia, the FTAC's appellate power is governed by FTAP. A taxpayer who disagrees with an appealable decision or any other decision made by the Tax Authority may file a notice of appeal with the FTAC.⁷⁸ According to Article 2(2) of the FTAP, a decision that is subject to appeal is one that is made in the course of making a tax decision by the authority, as well as any objection judgment or other decision made under tax legislation. An objection decision is a definitive and legally binding determination about any tax matters specified under FTAP Art.

⁷⁴ Civil Procedure Code of Ethiopia, 1965, Decree No. 52, Federal Negarit Gazta, 25th year No.3, Article 366-525.

⁷⁵ Id, Article 371-372).

⁷⁶ Id, Article 379-380.

⁷⁷ Id Article 382-383.

⁷⁸ FTAP, cited at note 5, Art, 86

2(34) by the Tax Authority, based on a recommendation by the Review Department.⁷⁹ The Commission's decision to be enforceable must satisfy several procedural conditions, including quorum, decisional authority, and content. According to the FTAC Directive, a quorum is defined as three judges (out of the five judges that make up the Commission panel) in attendance, and a majority vote will be used to make decisions. In the event of a tie, the Commission will follow the decision that the panel's chairwoman supports.⁸⁰

It is essential to comprehend how the Ethiopian Civil Procedure Code, the FTAC, and its governing laws interact to enforce the decisions made by the FTAC. The FTAC and its regulations create a unique framework for tax matters, whereas the Civil Procedure Code deals with normal court procedures.⁸¹ Regular court proceedings are mostly governed by the Ethiopian Civil Procedure Code. The immediate application of it to the enforcement of FTAC rulings is probably restricted. Tax matters involve specific considerations not present in typical civil disputes.

The FTAC most likely enforces its decisions through procedures established in its regulations. These regulations would outline the specific steps for actions like Timeframes and deadlines for parties to comply with the FTC's decision.⁸²

The Civil Procedure Code can benefit the FTAC in several ways even if it is not immediately applicable. The Code may specify broad guidelines for how it should be applied, such as the timetable for taking legal action or the procedures for taking property. These guidelines might be modified for application in tax tribunal enforcement, guaranteeing a certain level of coherence

⁷⁹ Id, Art. 2(34) of the FTAP defines a tax decision as a tax assessment (apart from a self-assessment), an application decision under Article 29, a determination made under Art. 40(2), a determination of a secondary liability or the amount of tax recovery costs payable, an assessment of late payment interest payable, a decision to deny a refund application under Art. 49 or Art. 50, a determination of the amount of an excess credit under Art. 49, the amount of a refund under Art. 50 or the amount of refund required to be repaid under Art. 50, and a determination of the amount of unpaid withholding tax under Art. 92(3) of the Federal Income Tax Proclamation (FITP).

⁸⁰ FTAC directive, cited at note 9, Art.12

⁸¹ Civil Procedure Code of Ethiopia, cited at note 42, Article 366

⁸² FTAP, cited at note 5, Art. 91(11)

with the larger legislative framework. The distinctions between the FTAP rules and the Civil Procedure Code can shed light on the particular strategy used to enforce tax rulings.⁸³

The main legal foundation for FTAC enforcement activities is provided by the FTAP rules. The Civil Procedure Code, however, might play supplementary functions. The Civil Procedure Code may provide further procedural advice in cases where the FTAP regulations are vague. To make sure that the FTAC's enforcement operations are consistent with the larger Ethiopian legal system, it might be helpful to cite the general principles of the Civil Procedure Code.⁸⁴

2.3.2 Procedural Requirements for Execution of Tax Tribunal Decisions in Ethiopia

The application of tax tribunals' decisions can have far-reaching effects on taxpayers, tax authorities, and the tax system as a whole. For taxpayers, a favorable decision from a tax tribunal can mean a reduction in tax liabilities, the recovery of overpaid taxes, or the clarification of a tax issue. On the other hand, an unfavorable decision can lead to increased tax liabilities and potentially financial hardship. For tax authorities, the application of tax tribunals' decisions can result in changes to administrative practices, the clarification of ambiguous tax laws, and the potential for increased tax collections.⁸⁵ Tax tribunal decisions can set precedents that guide future cases and help interpret and clarify tax laws and regulations. This can lead to more certainty for taxpayers and tax authorities, promoting compliance and fairness in the tax system. That is why the application of tax tribunals' decisions is critical in ensuring the fairness, consistency, and effectiveness of the tax system. By providing independent review and interpretation of tax laws and regulations, tax tribunals play a crucial role in shaping and refining the tax system. Their decisions serve as important precedents that guide future cases and help maintain the integrity of the tax system.⁸⁶ If we said this much about the importance of tax tribunal application when we come to the exaction of such a decision we have to start from the FTAC's appellate authority is governed by FTAP. A taxpayer who disagrees with an appealable decision or any other decision made by the Tax Authority may file a notice of appeal with the

⁸³ By understanding the interplay between these two legal frameworks, the FTAC can ensure efficient and consistent enforcement of its decisions while adhering to broader legal principles

⁸⁴ FTAC Directive, cited at note 9, Art.12

⁸⁵ Joni Larson & Dan Sheaffer, 'USA Mary A. Hotchkiss, Federal Income Taxation', in *Specialized Legal Research*, 2nd edn, ch. 3 (Penny Hazelton ed, 2014-) (Ref Desk KF240. S642)

⁸⁶ Townsend, John. *Tax Crimes*. 2nd ed. (2015) www.lexisnexis.com/lawschool

FTAC.⁸⁷ According to Article 2(2) of the FTAP, a decision that is subject to appeal is one that is made in the course of making a tax decision by the authority, as well as any objection judgment or other decision made under tax legislation. An objection decision is a definitive and legally binding determination about any tax matters specified under FTAP Art. 2(34) by the Tax Authority, based on a recommendation by the Review Department.⁸⁸ The Commission's decision must satisfy several procedural conditions, including quorum, decisional authority, and content, to be enforceable. According to the FTAC Directive, a quorum is defined as three judges (out of the five judges that make up the Commission panel) in attendance, and a majority vote will be used to make decisions. In the event of a tie, the Commission will follow the decision that the panel's chairwoman supports.⁸⁹

2.4 Enforcement Mechanisms of the Decisions of FTAC

After an appeal notice is filed with the Commission, the FTAP mandates that the FTAC decide within 120 days.⁹⁰ As a result, the FTAP has significantly improved by assisting taxpayers in receiving decisions on time. The taxpayer saves money, effort, and time, and their worry is decreased. By imposing a deadline, the Commission is forced to carry out its responsibilities with accountability and responsibility.⁹¹ As for the Commission's decision-making authority, the FTAP states that the Commission may “affirm, reduce or otherwise amend the tax assessment or remit the tax assessment to the Tax Authority for reconsideration where the appeal relates to a tax assessment.”⁹² However, where the Commission is of the view that the amount of tax assessed should be increased, it (the Commission) shall remand the case to the

⁸⁷ FTAP, cited at note 5, Art. 56.

⁸⁸ Id, Art. 2(34) of the FTAP defines a tax decision as a tax assessment (apart from a self-assessment), an application decision under Article 29, a determination made under Art. 40(2), a determination of a secondary liability or the amount of tax recovery costs payable, an assessment of late payment interest payable, a decision to deny a refund application under Art. 49 or Art. 50, a determination of the amount of an excess credit under Art. 49, the amount of a refund under Art. 50 or the amount of refund required to be repaid under Art. 50, and a determination of the amount of unpaid withholding tax under Art. 92(3) of the Federal Income Tax Proclamation (FITP).

⁸⁹ FTAC Directive, cited at note 9, Art.12

⁹⁰ FTAP, cited at note 5, Art. 91(2)

⁹¹ Aschalew Ashagre, cited at note 22, pp 230

⁹² FTAC, cited at note 5, Art. 91(5)

Tax Authority for reconsideration following the directions of the former.⁹³ Where an appeal to FTAC relates to any other appealable decision (non-assessment appeal), the Commission has the power to affirm, vary, set aside the decision, or remand the case to the Tax Authority for reconsideration in ascendance with the directions of the Commission.⁹⁴

The Commission shall provide a copy of the decision to each disputing party within 7 days from the date of the decision.⁹⁵ Suppose the decision is rendered in favor of the Tax Authority. In that case, the Authority moves forward for the implementation of the decision to collect the remaining tax, since in the case of revenue 50% and in the case of customs, 100% of the basic tax is to be paid before appealing to the Commission since such obligation is an inescapable precondition to file a notice of appeal with the Commission. The Ethiopian Tax Authority has the authority to enforce the decision made in its favor by the FTAC, and it executes the decision starting from the end of the 30 days(reckoned from the date of the decision of the Commission) appeal period within which the taxpayer can appeal to the FHC or FSC in matters relating to legal issues.⁹⁶ To this end, the Tax Authority is authorized to take colorful measures similar to attaching and selling the assets of the taxpayer, collecting money from third parties that are due to the taxpayer, and ordering banks to transfer money to the Tax Authority from the taxpayer's account.⁹⁷ Suppose the FTAC finds that the taxpayer is right and renders a decision that's favorable to the taxpayer. In that case, the ultimate may seek to have the decision executed per FTAP Art. 95(11), which stipulates that the authority shall " take similar way as are necessary to apply the decision, including serving an amended assessment within 30 days of receiving notice of the Commission's decision". Thus, if the FTAC overturns the Tax Authority's ruling, the ultimate is needed to repay the taxpayer 50 or 100 of the money that was queried and deposited by the taxpayer at the time of the taxpayer's appeal to the Commission. Again, suppose the Commission lowers the tax amount that the Tax Authority has established. In that case, the former has to repay the taxpayer with a sum of money commensurable with the reduced amount. When deciding on an appeal that has nothing to do with a tax assessment, the Tax Authority is supposed to

⁹³ Ibid Art. 91(6)

⁹⁴ Ibid Art. 91(7)

⁹⁵ Ibid Art. 91(8)

⁹⁶ Ibid Art. 38(2)

⁹⁷ Ibid Art. 42-48

follow the guidelines outlined in the Commission's ruling.⁹⁸ still, since the FTAP has no detailed procedure about how the prosecution process is carried out the Commission right now, is used to trying to handle prosecution cases by giving them a chance. By calling them to the court to ask why they did not execute, they generally respond, saying, " We've appealed the case and we're going to issue an attachment order." still, this is not good enough, the Commission orders the branch office director's head to explain the court about the process, speak with the principal ministers and the heads of the legal department to get it resolved,⁹⁹ this does not work. Administratively, certain performances have been settled by arranging forums in colorful ways and having casual exchanges with advanced officers. The Commission believes that this informal approach has proven to be effective in resolving challenges and addressing enterprises instantly.¹⁰⁰ However, still, since the enforcement system isn't regulated by law and there's no medium to enable the Commission to take specific action if the orders given by the Commission aren't followed, it makes the process long, boring, and unreliable.¹⁰¹

2.5 Timeframe and Deadlines for Execution

The Ethiopian Federal Tax Appeal Commission (FTAC) plays a crucial role in resolving disputes between taxpayers and tax authorities, ensuring fairness and accountability in the country's tax administration system. However, the timely execution of FTAC decisions is essential to uphold the rule of law, maintain tax compliance, and foster confidence in the tax system. Ensuring the execution of decisions made by FTAC within the specified time frame is crucial for upholding the integrity of the tax adjudication process and fostering compliance with tax laws.¹⁰² Timely execution of decisions serves to provide certainty to taxpayers, promote fairness in tax administration, and enhance the overall effectiveness of the tax system.

If the decision of the Commission is in favor of the taxpayer, the tax authority should have used any relevant steps including the issuance of an assessment notice within thirty days of the

⁹⁸ Aschalew Ashagre, cited above at note 22, pp. 249

⁹⁹ Interview with Ato Mulugeta Ayalew, president of Federal Tax Appeal Commission, April 15,2024

¹⁰⁰ Interview with Rediet Lemma, member of FTAC, April 12,2024; Interview with Yosefe Alemu, member of FTAC, April 15,2024

¹⁰¹ Author's personal observation of the execution procedure of the decisions FTAC.

¹⁰² Interview with Dr. Aschalew Ashagrie, Consultant and attorney at law, April 10,2024

decision being served, to execute it.¹⁰³ The FTAP stipulates that the Commission's decision is operative as of the decision date or on any later date that the Commission may designate in the decision notice.¹⁰⁴ Knowing that the Commission's decision has to be executed within the given time of 30 days, the taxpayer can assess and ensure the possible alternatives to setting aside the decision and return the case to the tax authority for a new determination in settlement of their tax liability.

Executing FTAC decisions often involves various administrative processes, such as updating tax records, issuing revised assessments, or implementing changes to tax liabilities. These administrative tasks may require coordination between tax authorities, legal personnel, and other relevant stakeholders, contributing to the overall time frame for compliance.¹⁰⁵ The timely execution of decisions made by the Ethiopian Federal Tax Appeal Commission is essential to ensure the integrity and effectiveness of the country's tax adjudication and enforcement mechanisms.¹⁰⁶ But in practice, it will be unrealistic to mention a single case that executes within the specified timeframe.¹⁰⁷ The problem with the implementation of the Commission's decision is seen both in the Ministry of Revenue and Customs Commission.¹⁰⁸ Most of the cases are being implemented by opening an enforcement file in the Commission.¹⁰⁹ It takes a year and sometimes beyond that to execute the cases after it gets a binding decision.¹¹⁰

2.6 legal Challenges to Execution of FTAC Decisions

Tax tribunals play a vital role in the tax system, providing an independent and impartial forum for taxpayers to challenge the decisions of tax authorities the decisions made by tax tribunals are often seen as precedent-setting, meaning they can be used as a guide for future cases with similar issues. The application of tax tribunals' decisions is crucial in ensuring consistency and fairness

¹⁰³ FTAP, cited above at note 5, Art. 91(11)

¹⁰⁴ Ibid Art. 91(8),91(10)

¹⁰⁵ Interview with Teresa Ensussie, Large tax payers branch manager, April 13,2024

¹⁰⁶ International Monetary Fund (IMF), Tax Administration Diagnostic Assessment Tool (TADAT): Assessing the Efficiency and Effectiveness of Tax Administrations (IMF, 2018).

¹⁰⁷ Authors personal observation of the execution procedure of the decisions of FTAC.

¹⁰⁸ Interview with Yoseph Alemu, member of FTAC, April 15,2024.

¹⁰⁹ Interview with Mulugeta Ayalew, cited above at note 67.

¹¹⁰ A case between Elias abrar and Customes Commission, file No. B-691/12 decision given on yekatit 02/2014 E.c and still on process of execution, see also other execution files opened by the Commission.

in the tax system. As a result, the decisions made by tax tribunals have to be well-informed and take into account the broader implications for the tax system.¹¹¹

The challenges taxpayers face varies from cost up to enforcement, when we talk about cost we mean the cost of pursuing a case through the tax tribunal process. Legal fees, expert witnesses, and other expenses can quickly add up, making it difficult for individuals and small businesses to afford the necessary representation.¹¹² This can create a barrier to access to justice and may result in some taxpayers being unable to challenge tax authority decisions. On top of this, there is the added emotional toll of challenging a tax authority's decision where dealing with tax disputes can be incredibly stressful, particularly for individuals and small businesses who may feel outmatched by the resources of the tax authorities. The fear of financial penalties, interest, and legal consequences can weigh heavily on taxpayers throughout the tribunal process, adding to the overall burden of the challenge.¹¹³ After all this up and do the taxpayers also face the challenge of enforcing the decision of the tax tribunal, particularly when tax authorities are unwilling or unable to comply voluntarily. In such cases, taxpayers may encounter obstacles in enforcing the decisions, leading to delays, uncertainties, and potential injustices and when tax authorities are unwilling to implement tribunal orders, taxpayers face significant obstacles in obtaining the relief or remedies awarded to them.¹¹⁴ This is because of the lack of adequate enforcement mechanisms, making it difficult for taxpayers to compel compliance by tax authorities. Without effective enforcement mechanisms, taxpayers may struggle to enforce tribunal orders, leading to frustration and a sense of powerlessness in the face of non-compliance by tax authorities. This non-compliance with tax tribunal decisions can erode public trust in the tax system and undermine confidence in the rule of law. When taxpayers perceive that tax authorities are unwilling or unable to comply with tribunal decisions, it can lead to a loss of trust, resentment, and a sense of injustice. Public perception plays a crucial role in shaping compliance behavior and can influence the effectiveness of enforcement efforts. It is also believed that the study is paramount in identifying the factors contributing to the considerable time delay between the

¹¹¹ Joel Slemrod and Jon Bakija, *Taxing Ourselves: A Citizen's Guide to the Debate over Taxes* (5th edn, 2017).

¹¹² Chris Edwards and Daniel J. Mitchell, *Global Tax Revolution: The Rise of Tax Competition and the Battle to Defend It* (2008).

¹¹³ T Harris, cited above at note 33.

¹¹⁴ *Ibid*

completion of the appeal proceedings and the rendition of the decision by the Commission. Sufficient research has not been conducted so far into this issue. Knowing that the Commission's decision has to be executed within the given time of 30 days, the taxpayer can assess and ensure the possible alternatives to stop the setting of the decision aside and return the case to the tax authority for a new determination in settlement of their tax liability.

CHAPTER THREE

3. Practical Issues about the Execution of FTAC Decisions

3.1 Introduction

In Ethiopia, like in many other nations, tax laws serve as the backbone of government revenue generation and economic stability. The Ethiopian Tax Appeal Commission (TAC) plays a pivotal role in ensuring the fair application and adjudication of tax-related disputes. However, the journey from the issuance of a TAC decision to its effective execution is riddled with practical challenges and complexities.¹¹⁵ This chapter tries to deal with the Reasons behind the non-execution of the decisions within the Time frame, Handling Non-Compliance with FTAC Orders to Execute, analysis of selected cases, Monitoring, and Evaluation of the Progress of Execution, Mechanisms for Improving Execution Efficiency lastly Sanction against non-compliance.

3.2 Reasons Behind the Non-Execution of the Decisions within the Time Frame

A system of income taxation depends upon self-assessment by the taxpayer and will only work as intended if there is effective enforcement of the taxing statutes subject always to the taxpayer's right to challenge a disputed assessment or other determination and to have the dispute resolved by an independent and objective tribunal. Effective enforcement involves not only the making of assessments but also the ensuring that they are not dislodged on the application by the taxpayer of any funds in litigation procedure and expense to get the revenue decision set aside and a decision more favorable to the taxpayer substituted. If a taxpayer is always to refrain from such litigation such as by an appeal to the Tax Appeal Commission averse to the revenue, he must be discouraged. Predictability has an important limitation. There is no problem, as such, with a decision being predictable; or with a party to a tax dispute knowing that, if it goes to the Tax Appeal Commission, it will receive an independent and objective decision. The problem arises if that predictability comes to be seen as a denial of justice. And that will indeed be the position if, as the evidence presented in this paper suggests, decisions of the Tax Appeal Commission may not be implemented and there are no effective judicial or other means of ensuring their implementation. If a decision adverse to the revenue is never to lead to any change in the

¹¹⁵ Yimer, G., *The Practice of Tax Administration and Taxpayers' Rights in Ethiopia: A Case Study of Taxpayers' Rights under Proclamation No. 286/2002*, 2016

disputed tax liability and never to result in any refund or repayment, a taxpayer will see it as not worth the effort and expense of challenging an initial adverse determination by the revenue.¹¹⁶

The non-execution of Ethiopian Tax Appeal Commission decisions by the tax authority within the designated time frame may be influenced by various factors. However, the reason varies from party to party according to the purpose and needs of their establishment. According to discussions with the taxpayer and the FTAC judge, the Tax Authority is thought to be hesitant to implement rulings, mainly because of legal restrictions.¹¹⁷ This is because a legal loophole allows the Tax Appeal Commission to have no legal authority to enforce its rulings, and the statute does not sufficiently establish how those decisions will be carried out.¹¹⁸ And the tax authorities unwillingness to Execute the decisions of the Commission.¹¹⁹ The taxpayers also mentioned that the Commission frequently chooses to refund the tax authority for handling a substantial volume of papers and that they are unwilling to view the documents that the taxpayer has supplied. Another laborious and time-consuming procedure is the appeals process, which is lengthy because most decisions that are carried out are overturned by the courts and can be challenged on factual grounds.¹²⁰ As an appeal is requested for each judgment made by the Commission, these rulings are regarded as provisional and passing. The implementation of a final appeal judgment, even if obtained, will be precluded if the taxpayer is facing a contested matter or another tax decision has been rendered. Since this has already passed and the ministry is attempting to make up for lost time by using the following fiscal year's funds rather than carrying out the decision, it is apparent that they are unwilling to adhere to the ruling. For certain foreign firms that have joined the nation on a contract basis, in particular, this is a serious issue.¹²¹

¹¹⁶ Taffere Tesfachew, *Tax Administration in Ethiopia: Challenges and Policy Responses* (2024).

¹¹⁷ Legal challenges and loopholes inhibit the effective execution of tax appeal Commission decisions. The decisions of the Tax Appeal Commission are executory as per the FTAP; however, the tax authority can defer the execution of the decision without proffering a legal basis or justification.

¹¹⁸ Interview with Dr. Aschalew Ashagrie, cited above at note 70.

¹¹⁹ Interview with Teshome Tsegaye, attorney at law, April 11,2024

¹²⁰ Interview with Tsion Admasu, Consultant and attorney at law, April 12,2024, Interview with Desta Nigussie, attorney at law, April 10,2024

¹²¹ Interview with Kumelachew Dagnie, Consultant and attorney at law, April 12,2024, Interview with Biruk Taddele, attorney at law, April 10,2024

The majority of cases are enforced through filing an enforcement file with the Commission.¹²² Because the cases involve money, the dispute begins with a deposit of 100% in customs cases and 50% in revenue cases. However, once the decision is put into action, it can be challenging to enforce because, in the case of vehicles related to customs, most of the time the vehicles are given to government institutions before the conclusion of the litigation. This means that when the Commission decides to return the vehicle to the taxpayer, it must first convert the funds into money and pay for it, which takes time because it must be requested from the Ministry of Finance. In the case of revenues, even if they agree to do so after much backstabbing, it will be done by compensating from the next fiscal year, so it is also another problem for the taxpayer who needs the money on time. Since it's paid without interest and disregard of the depreciation of the currency.¹²³

With no legal justification, the tax authority refuses to carry out the judgment made against them even though they are aware that it cannot be forced to do so. However, it is "extract meat from the jaws of a tiger," and the Commission lacks the power to implement their decision.¹²⁴ Conversely, administrative bottlenecks in the tax authority, include complicated procedures or a backlog of work, and causes of delays in decision execution. Administrative delays may be caused by insufficient staffing or ineffective decision-making procedures. According to Ministry of Revenue interviewees, when a decision calls for an audit to be carried out, the specialists will be working on fresh audits, therefore the process won't be completed swiftly in terms of lost time.¹²⁵ The Ministry of Finance is notorious for delivering the budget later than anticipated and in lower quantities, therefore the other party is concerned about the return of monies that are processed and originate from the ministry. Delays stem from a staffing deficit in the accounts receivable division, which handles the sending and reviewing of documents in response to tax return demands.¹²⁶ The legal department of the head office initiates the execution process. If they accept the ruling and do not file an appeal, they forward it to the branch office where the tax

¹²² This year alone, around 257 cases of enforcement have been opened, indicating that the Commission's decision is not being implemented within the time limit.

¹²³ Interview with Mulugeta Ayalew, cited above at note 67.

¹²⁴ Interview with Dr. Aschalew Ashagrie, cited above at note 70.

¹²⁵ Insert idea about the delance due to ministry of finance

¹²⁶ Interview with Ashenafi Basa, customes legal department directorate director, April 13/2024, Interview with Ethenesh Kassa, Coordinator of the Civil Affairs Monitoring Group, April 11/2024,

assessment is audited for execution. It will then be sent to the audit department, where the audit team will issue a decision notice before checking and returning it.¹²⁷ But sometimes the execution does not take place in time because of the unenforceability of the Commission's decision¹²⁸ and the other is that there is a problem with the capacity of experts and External factors, such as economic conditions, political instability, or changes in government priorities, can impact the tax authority's capacity to enforce decisions within the specified timeframe. Unforeseen events or external pressures may disrupt enforcement efforts.¹²⁹

3.3 Handling Non-Compliance with FTAC Orders to Execute

From a legal standpoint, ambiguity in legal interpretations and complexities in tax laws can contribute to reluctance and non-compliance. Tax codes often contain intricate provisions open to interpretation, leading to uncertainty among taxpayers regarding their obligations and entitlements. Additionally, discrepancies between tax laws and judicial precedents may create inconsistencies in decision-making, further eroding trust in the legal system. Institutional factors, such as the efficiency and integrity of tax administration systems, can affect compliance levels. Inadequate administrative capacity, bureaucratic inefficiencies, and corruption within tax authorities may undermine the credibility of tribunal decisions and weaken enforcement efforts. Moreover, the lack of transparency and accountability in tax administration processes can exacerbate mistrust and skepticism among taxpayers, leading to non-compliance behaviors.¹³⁰

However, the FTAP has no detailed procedure for the execution except saying the decision should be enforced within thirty days. Reluctance to execute and non-compliance by the tax authority can strain the capacity and credibility of tax administration institutions. Inefficient administrative processes, bureaucratic delays, and inconsistent enforcement practices undermine the effectiveness of tribunal decisions and weaken the deterrence effect of tax laws. Taxpayers

¹²⁷ Compliance with procedural requirements, such as obtaining necessary approvals or documentation, may delay the implementation of Tax Appeal Commission decisions. Fulfilling procedural obligations within the tax authority or other government agencies can take time.

¹²⁸ The legal complexity of Tax Appeal Commission decisions, including the need for interpretation or further legal analysis, can prolong the execution process. Legal challenges or uncertainties regarding the implementation of decisions may require additional time for resolution.

¹²⁹ Interview with Teresa Ensussie, cited above at note 73.

¹³⁰ J. F. Reinganum, 'An Economic Theory of Statutory Interpretation' (1983) 12(1) Journal of Legal Studies 1-25.

may lose confidence in the ability of tax authorities to enforce compliance consistently, leading to further erosion of trust and cooperation.¹³¹

When the tax authority refuses to carry out the ruling in favor of the taxpayers, the latter attempts, step by step, to get an administrative solution up to the minister; however, no satisfactory response is received, and most of the time, the complaint is directed to the department where the complaint was filed because the directive states that permits it to be carried out in compliance with the law.¹³² After using up all available channels within the authority, they were then required to submit a petition to the Commission.¹³³ The tax administration proclamation stipulates that the Commission's decision must be executed within 30 days; however, the proclamation does not include specific guidelines for what the Commission must do if its implementation is delayed. Despite this, the Commission has made an effort to enforce its implementation by an order. The Commission has so far attempted to enforce its findings through mutual agreement. The most popular way to do this is by having the manager appear in court, but they also occasionally have conversations with the superiors.¹³⁴ The Commission looks for the cause of hesitation or non-compliance before taking any action. It can be the result of miscommunication, a lack of drive, disapproval of the directive, failure-related anxiety, or another factor. Following an explanation of the situation, the Commission issues an order, making sure that every directive is precise, succinct, and efficiently conveyed.¹³⁵ Administratively, several performances have been resolved through different forum arrangements and informal discussions with higher authorities. This non-formal method has worked well for quickly addressing issues and resolving problems.¹³⁶ It's true that even in the case of an audit finding, this taxpayer shouldn't lose trust in the organization because he provides the government with a steady stream of income.¹³⁷ The taxpayer is going to lodge several valid complaints, which will damage the system's credibility.

¹³¹ From a broader societal perspective, reluctance to execute and non-compliance with tax tribunal decisions erode public trust in the fairness and impartiality of the legal system.

¹³² Interview with Kumelachew Dagnie, cited above at note 88.

¹³³ Interview with Biruk Taddele, attorney at law, April 10, 2024

¹³⁴ Interview with Mulugeta Ayalew, cited above at note 67.

¹³⁵ S. P. Robbins and T. A. Judge, *Organizational Behavior* (18th edn, Pearson 2019).

¹³⁶ Interview with Yoseph Alemu, cited above at note 76.

¹³⁷ Interview with Ashenafi Basa, cited above at note 93.

While some interviewees assert that the Commission is fully authorized to issue relevant orders to carry out its decisions based on FTAP, FTAR, and CPC rulings, others vehemently contend that the Commission lacks a clearly defined authority that is governed by law because FTAP does not include remedies for non-compliance and CPC rulings cannot be applied directly to the Commission.

3.4 Case Analysis

1. In the case **D.T and Family Business Private Limited Company Vs the Ministry of Revenue**¹³⁸ The taxpayer filed an appeal with the Commission after the review committee rejected the depreciation expenditure. On February 2, 2012, the Commission decided to the taxpayer and directed the Ministry of Revenue to accept the taxpayer's depreciation cost. The taxpayer filed an enforcement petition on September 16, 2013, in response to the Ministry's non-compliance. On that same day, the Commission issued a summons, directing the Ministry to appear and execute the decision, or to explain non-execution to the Commission by June 11, 2013.¹³⁹ The Ministry claimed that they had not properly received the summons. In response, the Commission granted an extension of time by ordering the taxpayer to serve the Ministry with a summons, which the taxpayer failed to do. Despite this, both parties showed up at the Commission on the scheduled date. The petition was summoned by the Commission, and a new date of November 7, 2013, was set. The Commission ordered the head of the Ministry's legal department to appear before it on July 21, 2013, after the litigants were rescheduled for a hearing due to the Ministry's nonattendance. However, the Commission ordered the branch office manager to appear before the Commission on July 30, 2013, as a result of the Ministry's absence. The appointment was postponed for September 12, 2014 due to the branch office manager's absence on the scheduled day.

¹⁴⁰ The Commission ordered the taxpayer to calculate and submit the return amount, including interest and loss.¹⁴¹ Consequently, the taxpayer submitted many requests for the refund and

¹³⁸ D.T and Family Business Private Limited Company Vs the Ministry of Revenue, file No. h.2-1732.

¹³⁹ In all execution cases the Commission issued a summon to the decree debtor to come up with execution, if not to explain the reason.

¹⁴⁰ See a case between sun optics PLC Vs Customs Commission, file No. B-2260, Abdurazaq fereja Vs Customs Commission, file No. B-2230 and on other cases also the branch managers did not appear to the court on the given date as ordered by the Commission

interest payment order, but the Commission was unable to make a decision. The Commission responded to the taxpayer's repeated requests for an explanation by saying that the issue would be settled through discussions with the highest-ranking government authorities. However, no remedy could be discovered.¹⁴²

On December 12, 2015, the taxpayer's enforcement petition was submitted once more, and on November 14, 2016, the Commission set a date for both parties to appear. The execution file was closed, nonetheless, because the taxpayer did not show up.¹⁴³ At the taxpayer's request, the Commission rescheduled for December 19, 2016, and the parties showed up there. However, the branch declined to return the funds, which prompted the Commission to order the branch office manager to appear in court on December 26, 2016, to explain the reason for their failure to carry out the decision. The manager showed up on that date to notify the court that they were unable to carry out the decision because of the Ministry of Finance's cancellation of debt directive.¹⁴⁴ Upon reviewing the rules, the Commission determined that the taxpayer was entitled to a refund and scheduled a meeting on March 7, 2016, to await the implementation of the decision. Due to several factors, the implementation process was delayed and is currently ongoing without any concrete fixes or Commission-taken action. This case demonstrates how the Commission's repeated, comparable orders do not uphold its rulings, depriving the taxpayer of their rights and impeding their ability to respond on time. It led the taxpayer to lose money and time since the Commission was unable to come up with a solution.

2. In the case **Negati Textile Factory PLC Vs Customs Commission**¹⁴⁵ The taxpayer files an appeal with the Commission by contesting the Customs Commission's pricing determination for items that the taxpayer has imported. On September 17, 2014, the Commission issued an order for the appellant's price adjustment, taking into account the quantity of imported products, following an analysis of the parties' written and oral arguments. The taxpayer submitted an enforcement petition in May 2015, alleging non-compliance with the Customs Commission. On

¹⁴¹ It's the only file that the Commission orders to calculate interest even though it was not enforced.

¹⁴² See also a case between Negati cherkacherk Vs Customs Commission File No. B-1656

¹⁴³ As the researcher observed as a Judge in case of Execution if the appellant failed to present to the court once the case will be closed, which is contradict with Art,11 of the Commissions working procedure directive 02/2011

¹⁴⁴ See also a case between Michael Wendu Vs customes Commission, file No.h^α-1583 which the tax authority refuses to refund by giving new decision on the issue already got a final decision which is ultra-virus

¹⁴⁵ Negati Textile Factory PLC Vs Customs Commission, file number B-1656/14.

January 22, 2015, The Commission directed Customs to show up, carry out the decision in a different way, and give a justification for failing to do so. The Commission issued an order for the Customs to appear on February 6, 2015, when they refused to comply with it. The parties showed up in the Commission on the scheduled day and explained how acting as a legal department, they had sent a letter to the group of coordinators for execution.

The Commission rescheduled for February 29, 2015, but closed the matter at the taxpayer's request. On September 2, 2015, the taxpayer resubmitted their petition, claiming that the enforcement had not been resolved. On May 21, 2015, the Commission opened the case and gave the parties notice to appear in person. The customs officials informed the parties when they showed up on the designated day that they were unable to enforce the decision by following it.¹⁴⁶ The Commission sent a letter to the law enforcement sector minister Daita,¹⁴⁷ but the case is still ongoing with no response or decision. The decision was not implemented on time due to various reasons, and the debtor did not explain their difficulties until the last appointment. The case highlights the difficulties in implementing decisions and the lack of timely responses.

3. In the case of **Yemegnu Tagegnework Vs Customs Commission**¹⁴⁸ The taxpayer challenges the confiscation of their car and files an appeal with the Commission. Following a review of the facts, the Commission ruled in favor of the taxpayer, directing that the car be recovered upon payment of the postponed duty and tax. The taxpayer filed a petition of execution because the Customs had not complied with the judgment. On July 12, 2015, the Commission ordered the Customs to appear and provide an explanation for why it was not implementing the decision. However, the Commission closed the file as a result of a prohibition issued by the Federal High Court. The taxpayer then appealed to the Federal Supreme Court, which affirmed the Commission's and High Court's decisions on December 24, 2016, after the Court had on May 16, 2014, upheld the Commission's judgment. The Commission received the taxpayer's enforcement petition on July 19, 2016, and ordered the parties to attend in person on April 4, 2016. The enforcement petition is currently ongoing. The prolonged appeals process and many appointments contributed to the implementation issue's protracted duration. These

¹⁴⁶ See also a case between Elyas Abrar Vs Customs Commission, file No. B- 691

¹⁴⁷ See also a case between Rodas hotel PLC Vs Ministry of Revenue, File No. B-1874 which the Commission try to handle the execution administratively.

¹⁴⁸ Yemegnu Tagegnework and the Customs Commission, under file No. B-1001.

demonstrate not just the Customs Commission's noncompliance but also the lengthy appeals process, which runs counter to one of the FTAC's founding principles—a speedy trial.¹⁴⁹

4. In the case **Elias Abrar Vs the Customs Commission**¹⁵⁰ The taxpayer challenges the custom's decision to set taxes on imports. On Feb. 2, 2014, the Commission decided on behalf of the taxpayer. Due to the appellant's non-compliance with the Customs Commission, the Commission ordered the Customs to appear before it on April 12, 2014, to explain why it was reluctant to execute. The appellant filed a petition for execution on July 14, 2014. The lawsuit was temporarily concluded as a result of an attachment order by the Federal High Court. On May 11, 2014, The Commission directed the branch manager to appear in court on May 15, 2016, to justify their performance, since the Customs was not present. Attending the Commission, the Customs stated they had written to the appropriate department to refund the funds, but they were refused. The taxpayer's refund request was rescheduled by the Commission and was confirmed in writing for February 15, 2016. Customs verified that they requested the Ministry of Finance,¹⁵¹ so the Commission rescheduled it for July 16, considering when the money will be disbursed. The decree-holder agreed to an alternative appointment, as it would take time for the money to be disbursed from the Ministry of Finance.¹⁵² And still pending. The case indicates a lengthy delay due to appeals and a potential delay after the final decision, as the money will be transferred from the Ministry of Finance again.

3.5 Monitoring and Evaluation of the Progress of Execution

Monitoring and evaluating the progress and execution of tax tribunal decisions are essential components of a well-functioning tax dispute resolution system. By ensuring compliance, enhancing accountability, and identifying systemic issues, effective monitoring and evaluation mechanisms contribute to the fairness, transparency, and efficiency of the tax administration.¹⁵³

Tax tribunals play a crucial role in resolving disputes between taxpayers and tax authorities. However, the effectiveness of these tribunals relies not only on their ability to adjudicate but also on the enforcement and execution of their decisions. Monitoring and evaluating the progress and

¹⁴⁹ The case almost took over two years and still pending.

¹⁵⁰ Elias Abrar Vs the Customs Commission under File No. B-691/12

¹⁵¹ Most of the cases took a long time due to the refund process of the money from ministry of finance

¹⁵² See also a case between biyoma construction rent Vs Ministry of Revenue, file No. B- 488

¹⁵³ International Monetary Fund (IMF), 'Tax Administration Diagnostic Assessment Tool (TADAT): Assessing the Efficiency and Effectiveness of Tax Administrations' (IMF, 2018).

execution of tax tribunal decisions are paramount to ensure fairness, transparency, and compliance within the tax system. Effective monitoring and evaluation mechanisms help ensure that both taxpayers and tax authorities comply with the decisions rendered by tax tribunals. Without proper oversight, there may be a tendency for parties to disregard tribunal rulings, undermining the integrity of the tax system.¹⁵⁴ The Tax Appeal Commission is an organ established to act independently in hearing and deciding tax appeals.¹⁵⁵ The public's opinion of the tax system as a whole may be affected by the tax authority's choice to not implement rulings made by the Tax Appeal Commission. A comprehensive and unambiguous system ought to be created because the Commission possesses both an appeal-type structure and a first-level organization.¹⁵⁶ Customization of a clear performance system will be challenging because this is not a dispute between two equal parties, even though the directive permits the Commission to utilize civil law principles as a gap-filling.¹⁵⁷

A clear understanding of performance has to be established between the Commission, the Ministry of Revenue, and the Customs Commission. Additionally, the Commission needs to draw attention to the fact that it violates taxpayer rights and diminishes the significance of the appeals process. If the decision is put into action, there will be chances to make up for taxes; however, in the case of customs, the money must be returned. If this isn't the case, though, as the majority of taxpayers deposited their operational budget, they are compelled to close their enterprises, which has a significant negative influence on the nation.¹⁵⁸

The taxpayer should be informed whether the Ministry of Revenue and Customs Commission has any explicit internal guidelines. 50% of revenue and 100% of customs must be paid by the taxpayer to bring legal action against the Commission. If the taxpayer prevails in court and the decision is not timely presented, a significant loss may result. Under some circumstances, the taxpayer may decide to reevaluate their alternatives instead of wasting time and money by

¹⁵⁴ Organization for Economic Co-operation and Development (OECD), *Tax Administration 2019: Comparative Information on OECD and Other Advanced and Emerging Economies* (OECD Publishing, 2019).

¹⁵⁵ See generally FTAP, cited above at note 5, Art 86-94

¹⁵⁶ Interview with Kumelachew Dagnie, cited above at note 88.

¹⁵⁷ since the provisions of deadlines of execution are not entirely clear, it must be assumed that decisions are to be implemented immediately.

¹⁵⁸ Interview with Tsion Admasu, cited above at note 87.

requesting that the Commission resolve the matter through litigation, which might jeopardize the integrity of the tax system.¹⁵⁹

Stakeholders can discover systemic problems with the tax tribunal procedure through routine monitoring and review. To increase the efficacy and efficiency of the tribunals, it may be necessary to address underlying procedural or structural flaws indicated by patterns of non-compliance or execution delays. The effectiveness of current tax laws and regulations may be evaluated by policymakers and administrators by monitoring the results of tribunal rulings and their subsequent implementation.¹⁶⁰ The appellant may not be happy due to the time value of money, even if the decision is in his favor and the money is refunded after a lengthy period.¹⁶¹ Therefore, the taxpayer suffers injustice if the decision is not carried out since they will not receive the actual benefit. First, the issue must be acknowledged as the taxpayer lacks the capacity and condition. It is therefore preferable to forge an understanding between the relevant parties—the taxpayer, the tax collector, and the Commission—to respect his rights. Different techniques and actions need to be done to tackle such issues.¹⁶² To solve such problems different mechanisms and steps should be taken.

3.5.1 Mechanisms for Improving Execution Efficiency

Establishing clear guidelines and procedures for implementing tax tribunal decisions ensures consistency and reduces ambiguity, enabling quicker execution.¹⁶³

Implement automated systems for tracking, monitoring, and executing tribunal decisions. These systems can streamline workflows, reduce manual errors, and provide real-time updates on the status of each case. Continuously review and streamline decision execution processes to eliminate unnecessary steps and reduce delays. Simplifying procedures can lead to faster resolution of cases and improved efficiency.¹⁶⁴

¹⁵⁹ Interview with G/Egziabhair Munachew, attorney at law, April 12, 2024

¹⁶⁰ B. Genser (ed.), *The International Guide to Tax Tribunal Decision Writing* (IBFD, 2018).

¹⁶¹ Interview with Biruk Taddele, cited above at note 100.

¹⁶² Interview with Eshetu W/semayat, attorney at law, April 12, 2024

¹⁶³ Canadian Tax Foundation, *Tax Court of Canada Practice Manual* (Toronto: Canadian Tax Foundation, 2018).

¹⁶⁴ K. Rao, 'Enhancing Tax Tribunal Efficiency: An Evaluation of Current Practices' (2019) 12(2) *Taxation Review* 45-62.

The interviewees advise against delegating the important task of finding a just and timely solution. If authority cannot be granted to the Commission, it is preferable to transfer it to the ordinary court because of its superior legal system and background. However, as the Commission plays a crucial role in attracting foreign money and conducting business, letting it carry out its recommendations is the wisest course of action.¹⁶⁵ Establish effective communication channels between tax authorities, taxpayers, and relevant stakeholders. Clear and timely communication fosters transparency, reduces misunderstandings and expedites decision execution.¹⁶⁶

Taxpayers may get dissatisfied if decisions are not enforced. Since civil procedural law can be used as a gap-filling, the Commission should employ it to enforce its decisions. The problem may be settled equitably and quickly if the Civil Procedure Law is used appropriately. The Commission should also make obligatory instructions requiring it to give the subject its full attention and be completed on time, because "delayed justice is considered not served".¹⁶⁷ The Annual Report 2020-21. Australian Taxation Office. (2021). Canberra states Provide training to staff involved in executing tribunal decisions, ensuring they understand the process and have the necessary skills to carry out their tasks efficiently. Capacity-building efforts can also include cross-training to mitigate workload bottlenecks.¹⁶⁸

A vital component in handling the nation's capital concerns is the Tax Appeals Commission, which is made up of the Audit, Price, and Tariff departments. In any other case, the price determination and tariff allocation department at head office can provide the Commission with information so that it can make informed choices. discouraging business owners from lowering foreign investment and diversifying taxes. With the assistance of the Federal Police, the Commission may make orders of mandatory enforcement and provide the ordinary court execution authority.¹⁶⁹

¹⁶⁵ Interview with Dr. Aschalew Ashagrie, cited above at note 70.

¹⁶⁶ Tax Appeals Tribunal (TAT), Kenya, Annual Report 2022-23 (Nairobi: Government of Kenya, 2023).

¹⁶⁷ Interview with Desta Nigussie, attorney at law, April 17,2024

¹⁶⁸ Engaging stakeholders, including taxpayers, legal practitioners, and civil society organizations, can provide valuable insights into the effectiveness of monitoring and evaluation efforts. Feedback mechanisms such as surveys or consultation sessions can help identify areas for improvement and enhance transparency.

¹⁶⁹ Interview with Tsion Admasu, cited above at note 87.

The tax tribunals need to establish specialized mechanisms to monitor the development and application of their rulings. Relevant data, including the decision date, the parties involved, the recommended course of action, and the compliance dates, should be recorded by these systems. They need to be obligated to provide pertinent oversight bodies or governmental organizations with periodic updates on the state of decision execution. Comprehensive information on the quantity of decisions made, compliance rates, difficulties faced, and steps taken to overcome them should all be included in these reports. A Commission is now enforcing its ruling by administrative means, but they are collaborating with the Police and the Minister of Justice to create a mechanism of obligatory enforcement in the meantime.¹⁷⁰

Foster collaboration with stakeholders such as tax advisors, legal professionals, and taxpayer representatives. Engaging stakeholders early in the process can help address potential challenges and facilitate smoother execution of tribunal decisions. Establish feedback mechanisms to gather input from staff, stakeholders, and taxpayers on the execution process. Actively soliciting feedback enables the identification of areas for improvement and promotes a culture of continuous enhancement.¹⁷¹

It is advised that the authorities implement a system to inform taxpayers about new regulations and laws. Additionally, the Commission should have greater access to evidence, including that which is provided by the customs system. Furthermore, there should be open communication between the tax authority and the authorities regarding the pressing nature of the issue.¹⁷² Establish systems for keeping an eye on developments and specify critical performance measures for decision execution. Monitoring these indicators regularly makes it possible to discover chances for improvement and bottlenecks. It also helps to establish quality assurance procedures that guarantee correctness and adherence to tribunal rulings; these procedures may include audits, spot checks, or peer reviews to uphold standards and avoid mistakes.¹⁷³

Resolving the Commission's decision-making gap is also essential to avoid financial strain and a skewed perception of the legal system. However, over time, a thorough implementation clause

¹⁷⁰ Interview with Mulugeta Ayalew, cited above at note 67.

¹⁷¹ OECD, *Making Dispute Resolution More Effective – MAP Peer Review Report, United States* (OECD Publishing, 2019).

¹⁷² Interview with G/Egziabhair Munachew, cited above at note 127.

¹⁷³ World Bank Group. (2018). *Improving Tax Dispute Resolution: A Global Survey of Tax Administration Practice*. Washington, DC: World Bank

would improve the overall legal system. It is necessary to alter Proclamation No. 983/08 to specify how it will be put into effect and to indicate that it will do so within 30 days.¹⁷⁴ A department should be contacted and given a chance to respond to the Commission if they are unable to enforce the law on time. They should be filled for the following appointment if they are not satisfactory. If they don't work, the federal police should take them into custody and take them to court.¹⁷⁵ Establish feedback mechanisms to gather input from staff, stakeholders, and taxpayers on the execution process enable the identification of areas for improvement, and promote a culture of continuous enhancement.¹⁷⁶

The other suggestion given by interviewees is that since the appeal system is boring, so the legal department should have enough authority to not ask for appeals in cases not considered. If the law department has the power to decide on the feasibility of the case, execution will not be delayed if there is no appeal in cases that should not be appealed.¹⁷⁷ It would be beneficial if the Commission could increase its power and make enforceable orders, particularly those about bank interest, since this may enhance the performance of the government while safeguarding our nation's interests in tax administration.¹⁷⁸ Therefore, by implementing these mechanisms, the FTAC may enhance the efficiency of executing its decision, ultimately improving overall compliance and taxpayer satisfaction.

3.6 Sanction Against Non-Compliance

Pearce et al. state that the right to penalties can only be imposed if there is a specific breach of the legislation. They go on to say that the most common breaches likely to be found to have been committed by tax authorities are the failure to disclose or filing an incorrect return on behalf of a taxpayer. If the tax authority breaches the legislation, then a tribunal may impose a financial penalty and interest on the penalty in line with a similar action against a taxpayer.¹⁷⁹

The problem with tax appeals in Ethiopia lies not only with the failure to execute decisions made by the Tax Appeal Commission but also with the effectiveness of the appeal process in enforcing

¹⁷⁴ Interview with Mulugeta Ayalew, cited above at note 67.

¹⁷⁵ Interview with Biruk Taddele, cited above at note 100.

¹⁷⁶ European Commission. (2020). Best Practices in Tax Dispute Resolution. Brussels: European Commission.

¹⁷⁷ Interview with Eshetu W/semayat, cited above at note 130.

¹⁷⁸ Interview with Dr. Aschalew Ashagrie, cited above at note 70.

¹⁷⁹ de Cogan D, 'Judicial Review in the Tax Field: Not a Spent Force' (2023) Taylor & Francis <https://www.tandfonline.com>

accountability in the actions of the tax assessors. The main issue is that the tax authority does not execute the Commission's decisions within the time frame prescribed by law and often is not executed at all.¹⁸⁰ After deciding not to comply with an unsatisfactory choice, the first step a tax authority could take would be to appeal against the decision. This would allow them to delay compliance for a further period. The effectiveness of any appeal mechanism in denying compliance would depend on the structure and administration of the appeal process. A successful appeal would generally result in the tribunal's decision being upheld and may have an automatic suspense effect.¹⁸¹

Since the authorities will use it as justification, the appeals procedure is drawn out. Execution will not be delayed if the legal department is given enough power to refrain from appealing decisions in situations that are not considered.¹⁸² As M Hearson, states In consideration of the current legal framework in the UK, it is difficult to impose mandated sanctions on tax authorities following a judgment handed down in a tax tribunal. Should the decision be made to introduce sanctions against non-compliant tax authorities, one possible measure of ensuring compliance is the imposition of a financial penalty.¹⁸³ Interviewees suggest that the Commission can enforce its decision by giving strong orders using the system set in FTAP and the civil procedure law. If not possible the Commission has to give mandatory enforcement orders in cooperation with the Federal Police and consider an interest for the time the money is not returned.¹⁸⁴ If tax officials don't follow tribunal rulings, they could face administrative penalties or sanctions. Fines, disciplinary sanctions against accountable authorities, or other administrative actions might be among them.¹⁸⁵ Any tax authority that fails to comply with a decision would be in breach of a

¹⁸⁰ Authors personal observation of the execution procedure of the decisions of FTAC.

¹⁸¹ S. Bauducco, M. Pillion, K. Bartel, C. Reynolds et al, "A Bidirectional Model of Sleep and Technology Use: A Theoretical Review of How much, For whom, And which mechanisms" (2024) Sleep Medicine Reviews sciencedirect.com.

¹⁸² Interview with Desta Nigussie, cited above at note 135.

¹⁸³ A civil financial penalty is a possible measure against HMRC which would need to be endorsed by a legal right to penalties.

¹⁸⁴ Taxpayers affected by the tax authority's non-compliance may have legal remedies available to them. This could include seeking compensation for damages incurred as a result of the non-compliance or pursuing further legal action to enforce the tribunal's decision.

¹⁸⁵ Interview with Kumelachew Dagnie, cited above at note 70.

specified statutory duty, and the taxpayer would have a cause of action in the FTAP which could result in a mandatory order to secure compliance. This is progressive in terms of improving access to justice and ensuring that cases are treated alike throughout the court system. It also fosters the rule of law and is a vital prerequisite to tax law and tax administration being subject to independent judicial oversight.

CHAPTER FOUR

4. Conclusion and Recommendation

4.1 Conclusion

Tax authority that fails to comply with a decision would be in breach of a specified statutory duty, and the taxpayer would have a cause of action in the FTAP which could result in a mandatory order to secure compliance within 30 days. This is progressive in terms of improving access to justice and ensuring that cases are treated alike throughout the court system. It also fosters the rule of law and is a vital prerequisite to tax law and tax administration being subject to independent judicial oversight. However, the primary aim of securing compliance by the tax authority still needs to be supplemented by effective sanctions to deal with situations where a decision is not implemented.

There is a legal disparity in enforcement mechanisms depending on when the Commission's decision favors the taxpayer. While clear legal provisions exist for enforcing decisions in favor of the tax authority, there's ambiguity and a lack of recourse for taxpayers when decisions favor them, exposing a critical gap in the legal framework. Even though the FTAC plays a crucial role in addressing disputes and issuing orders for execution. However, it does not exercise its judicial power within the existing legislation which empowers the commission to give different kinds of orders to enforce its decisions even though there is an absence of explicit remedies available to taxpayers if the tax authority fails to comply with its decisions. The timely compliance of the tax authorities with FTAC decisions is influenced by various factors, including the legal gap in the issue, the clarity of the Commission rulings, the complexity of tax disputes, limited and trained manpower resources within tax authorities, due to procedural irregularities and the willingness of the authority to adhere to legal obligations. Sometimes they comply voluntarily with the Commission's decisions, but mostly they may challenge rulings through appeals or engage in non-compliant behavior, necessitating enforcement measures.

In addition, the Enforcement of the Commission decisions can be hindered by various factors, including the legal gap in the issue, tax authority resistance, limited and trained manpower resources within tax authorities, and due to procedural irregularities. These challenges can impede the efficient resolution of tax matters and undermine the effectiveness of the appeals process. Delays in executing tax decisions can have serious repercussions, causing uncertainty

and financial strain for taxpayers. Prolonged delays erode trust in the tax system and lead to frustration among stakeholders. The simplest and most direct effect of delayed execution of TAC decisions is the delay in justice. Justice delayed is justice denied. Whatever justice the appellant should get when his appeal is decided either by the TAC or the Courts, it is in the monetary matter. If the decision is in favor of the appellant, it means the tax authority has to refund the excess tax collected plus interest thereon. But the refund of money is not complete justice unless it is refunded promptly because money has a time value.

The timely execution of decisions made by the Ethiopian Federal Tax Appeal Commission is essential to ensure the integrity and effectiveness of the country's tax adjudication and enforcement mechanisms. By examining the legal framework, administrative processes, and practical challenges associated with executing FTAC decisions, this analysis provides insights into the complexities of the execution of FTAC decisions in Ethiopia. Addressing the identified challenges and implementing the proposed recommendations can contribute to strengthening the rule of law, promoting tax compliance, and fostering a conducive environment for economic development in Ethiopia.

4.2 Recommendation

Based on the findings, recommendations for addressing the legal and practical issues surrounding the execution of the decision of the Federal Tax Appeal Commission (FTAC) could be as follows:

- A possible way of giving effect to the decisions of the Commission is to strengthen the enforcement provisions in the tax laws. If there are strong recovery provisions, these can also be used to recover tax debts under the decisions of the Commission. Currently, the enforcement provisions in the tax laws are single and have no detailed provision. It is beyond the scope of this thesis to look at the enforcement provisions in detail; however, Enhances the legal framework governing the execution of FTAC decisions to clarify the responsibilities of both the tax authority and taxpayers. This could involve amendments to existing tax laws or the introduction of specific regulations addressing enforcement procedures and penalties for non-compliance.
- If legislative changes are not feasible in the short term, lobby for the issuance of clear regulatory guidelines by the FTAC itself. These guidelines should detail the procedures

for enforcing taxpayer-favorable decisions, potentially including timeframes for compliance and escalation options in case of non-compliance by the tax authority.

- Adequate resources and capacity are important elements for the efficient and effective execution of decisions. To discharge its obligations under the Tax Administration Proclamation promptly, it is imperative that the tax authority allocates sufficient resources and builds the capacity required to implement Tax Appeal Commission decisions. Although the tax authority is said to have the discretion to allocate resources, this does not mean that it can choose whether or not to implement a decision. Invest in the capacity-building of tax authorities by providing adequate resources, training, and technology to effectively implement FTAC decisions. This would help address practical challenges such as limited resources and outdated technology mentioned in the document.
- Introducing an unambiguous time limit for the tax authorities specifies that a decision will be deemed to have been accepted by the tax authority if it fails to take any action to implement the decision within the specified time frame. The legal and logical basis behind the time limit makes this proposal much stronger than the provision in the current law. So long as it is a realistic time frame that allows the tax authority sufficient time to take action if it disagrees with a decision, it can be argued that it is fair and increases transparency. A time frame can also put pressure on the tax authority to take some form of positive action to implement a decision, thus reducing the incidence of 'silent defiance'.
- Improve Communication and Collaboration: Foster better communication and collaboration between the FTAC, tax authorities, and other relevant stakeholders to ensure timely and efficient execution of decisions. Establishing formal channels for dialogue and cooperation can help address misunderstandings and expedite the resolution of disputes.
- Enhance Transparency and Accountability: Promote transparency and accountability in the execution of FTAC decisions by publishing regular reports on compliance rates, enforcement actions taken, and outcomes achieved. This would help build trust among taxpayers and demonstrate the effectiveness of recourse mechanisms within the tax system.
- Conduct Regular Reviews and Evaluations: Conduct regular reviews and evaluations of the execution process to identify areas for improvement and make necessary adjustments.

This could involve soliciting feedback from taxpayers, conducting performance audits, and benchmarking against international best practices in tax administration.

Implementing these recommendations would contribute to addressing the legal and practical challenges associated with the execution of FTAC decisions, ultimately improving the effectiveness and fairness of the tax administration system.

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