

**PROCLAMATION NO**  
**A PROCLAMATION TO PROVIDE**  
**FOR PAYMENT OF INCOME TAX**

Whereas, to facilitate the implementation of the rehabilitation and development programs of the state of Eritrea;

Whereas, recognizing the needs of a new tax regime conducive to investments on foreign and local, to stimulate the devastated economy of the country;

Whereas, one of the methods by which this can be achieved is by recognizing the taxes imposed on any source of income and for their convenient administration; Now therefore; it is hereby Proclaimed as follows

**SECTION ONE**

**ARTICLE 1**   **SHORT TITLE**

This Proclamation may be cited as the “Income Tax Proclamation No 62/1994”.

**ARTICLE 2**   **DEFINITION**

In this Proclamation, unless the context otherwise requires:

1. “Minister and Ministry” means the Minister and Ministry of Finance and Development.
2. “Body” means any incorporated company based on shares with limited liability.
3. “Rent of movable and immovable property” means rent of houses and /or rent of houses with its furniture and fixtures.
4. “Royalty” means an income received from copyright, patent and the like.
5. “Person” means any natural person, and all forms of associations including partnerships, but excluding incorporated companies with limited liabilities.
6. “Inland Revenue Office” means the body designated by the Minister to implement and enforce the provisions of this Proclamation.
7. “Commercial Farming” means any commercial farming activity having a license issued by the Ministry of Agriculture.

8. "Income" means every sort of revenue from whatever source derived and in whatever form paid, credited or received, which has its origin within Eritrea, irrespective of whether it is paid, credited or received within or out of Eritrea.
9. "Tax payer" means any person or body receiving income and liable to pay tax there under.
10. "Tax Appeal Commission" means a body established by this Proclamation or other laws that substitute it to decide appeals against tax assessments made by the Inland Revenue Office.
11. "Business" means any industrial, commercial, banking, transport and other activity pursued by any person or body.
12. "Chance winning" means lottery, bingo, tombola and the like.
13. "Taxable income" means the amount of income calculated in accordance with the provisions of this proclamation and regulations issued hereunder, on which income tax shall be charged, levied and collected.
14. "Gross income" means the total of all income received by any tax payer before any deductions, which may be authorized hereunder.

### **ARTICLE 3   REPEALS**

All previous Proclamations, Laws, Legal Notices, Decrees, Regulations, Directives and in particular Income Tax Proclamation No 173/1961 are hereby repealed and replaced by this Proclamation.

## **SECTION TWO**

### **LEVYING OF TAX**

### **ARTICLE 4**

Subject to the provisions hereof, every person or body having income is liable to pay tax thereon.

### **ARTICLE 5**

Income tax shall be calculated separately for income from employment, from rent of movable and immovable property, from trade or business and from commercial financing and shall be levied, collected and paid on the aggregate amount of taxable income chargeable under each of said separate Schedules.

## **ARTICLE 6**

If any income or part thereof is received in the form of a benefit in kind, tax shall be paid thereon after the valuation of the said benefit in kind is made by the Inland Revenue Office.

### **TAX ON INCOME FROM EMPLOYMENT**

Income tax shall be charged, levied, and collected on income from employment including without limitation salaries, wages, allowances, pension contributions, director's fees and other personal emoluments and allowances unless the Minister shall by regulations exclude certain categories.

1. The tax on income from employment shall be charged, levied and collected monthly; however, if such income is received in the form of a payment covering a period longer than one month, the tax payable shall be computed by prorating the income received over the number of months covered by such payment at the rates specified in the schedule.
2. The tax on income from employment shall be charged and collected at the following rates: -

#### **SCHEDULE 'A'**

No	Taxable monthly income ( Nakfa)	Tax rate on Every Additional Income (in percentage)
1	Up to 200	2%
2	From 201 up to 1,200	10%
3	From 1,201 up to 2,500	20%
4	From 2,501 up to 3,500	25%
5	Over 3,500	30%

Unless the Minister shall by regulations exclude certain categories from payment of income tax, taxable income from employment shall include all payments in cash and all benefits in kind.

An employer shall declare to the Inland Revenue Office an income earned by any of his employee.

Any person who is employed by more than one employer in the same month shall himself declare the total of his income from employment during said month, irrespective of declarations made by employers; and shall pay within one month of the coming month.

Any employee of an Embassy, Legation, Consulate or Mission of a foreign state who is not exempted from payment of income tax shall himself declare the total amount of his income and pay tax thereon within one month of the next month.

### **ARTICLE 13**

Income from employment shall be declared each month, within one month from the end of the month for which the tax is due.

### **ARTICLE 14**

With the exception of the cases referred to in Articles 11 and 12 hereof, the tax on income from employment shall be deducted by employers from payments made to employees and transmitted to the Inland Revenue Office within one month from the end of the month for which the tax is due. If the employer fails to deduct said tax and transmit it in due time, to the Inland Revenue Office, he shall be personally liable for payment of the said tax.

### **ARTICLE 15**

The Minister may prescribe by regulations that in specified cases income from employment may be declared and the tax thereon paid in periods other than a single month and that the tax may be paid in a special manner as prescribed in said regulations.

## **SECTION FOUR**

### **TAX ON INCOME FROM RENT OF MOVABLE AND**

### **IMMOVABLE PROPERTY**

#### **ARTICLE 16**

The tax on income from rent of movable and immovable property (irrespective of purposes the rent is to be used) shall be charged, levied, collected and paid annually and shall be imposed on the income of the preceding fiscal year which shall, in principle, correspond to the Eritrean fiscal year, provided, however, that the Inland Revenue Office may, at its direction, allow the use of a different accounting year.

#### **ARTICLE 17**

Any person or body having taxable income from rent of movable and immovable property shall be charged, levied, collected and paid as described in the following Schedule B:

#### **SCHEDULE 'B'**

No	Taxable annual income (in Nakfa)	Tax rate on Every Additional Income (in percentage)
1	Up to 2,400	2%
2	From 2,401 up to 14,400	10%
3	From 14,401 up to 30,000	20%
4	From 30,001 up to 42,000	25%
5	Over 42,000	30%

#### **ARTICLE 18**

The tax on income from rent of movable and immovable property shall be calculated in accordance with regulations issued by the Minister, which regulations shall, inter alia, provide that: -

1. Gross income shall include payments in cash and all benefits in kind;
2. If the taxpayer rents furnished quarter, amounts received attributable to the renting of furniture and equipment shall be included as gross income;

3. The following amounts shall be deducted from gross income in calculating taxable income;
  - a) Taxes, except income taxes, paid with respect to the rented houses.
  - b) One fourth (1/4) of the gross income received as rent for buildings, furniture and equipment shall be considered as an allowances for repairs, maintenance and depreciation of such buildings, furniture and equipment.

## **ARTICLE 19**

The tax on income from rent of movable and immovable property shall be declared, collected and paid annually within one month from the end of the Eritrean fiscal year for which the tax is due;

## **SECTION FIVE**

### **TAX ON INCOME FROM ANY TRADE, BUSINESS, PROFESSIONAL OR VOCATIONAL OCCUPATION**

## **ARTICLE 20**

Any person or body deriving income from trade, business, professional or vocational occupations and other trade activities shall pay income tax.

## **ARTICLE 21**

The tax on income from any trade, business, profession or vocation and other trade activities shall be charged, collected and paid as follows; provided, however that the Inland Revenue Office may at its discretion allow the use of a different accounting year:

- 1) The tax on income from sources of any trade, business, profession or vocation shall be charged, levied, collected and paid annually and shall be imposed on taxable income of the proceeding accounting year, which shall; in principle, correspond to the Eritrean fiscal year;
- 2) The tax due from other trade activities, such as chance winning, royalty, and income from services rendered to person or body in Eritrea by persons or bodies from abroad shall be paid within one month from the date the income has been received.

## **ARTICLE 22**

- 1) Any person having taxable income from source of trade, business, professional or vocational occupations and other similar activities shall be charged, levied, collected and paid as follows.

## **SCHEDULE 'C-1'**

No	Taxable annual income (in Nakfa)	Tax rate on every Additional (in percentage)
1	Up to 2,400	2%
2	From 2,401 up to 14,400	10%
3	From 14,401 up to 30,000	20%
4	From 30,001 up to 42,000	25%
5	Over 42,000	30%

- 2) In the case of any incorporated body, the tax on income shall be charged, levied, collected and paid at the rate of 30 percent.
- 4) The tax on income from other sources of trade activities, such as chance winning, royalty, and income from services rendered to person or body in Eritrea by persons or bodies from abroad shall be charged, levied collected and paid from the gross income received as follows.

### **SCHEDULE –C- 3**

- a) Income from tombola, lottery not exceeding five hundred (500) Birr  
Shall be exempted from payment of income tax, whereas  
Income exceeding five hundred (500) Birr shall  
pay..... 10%
- b) Income from bingo not exceeding four hundred (400) Birr  
Shall be exempted from payment of income tax, whereas income  
Exceeding four hundred (400) Birr shall pay ..... 10%
- c) Royalty.....10%
- d) Income from services rendered to person or body in Eritrea  
By person or body from broad.....10%

### **ARTICLE 23**

- 1) The tax on income from sources of any trade, business, profession or vocation and other trade activities mentioned in paragraph 1:2:3 and 4 of Article 22 hereof shall be calculated in accordance with regulations issued by the Minister.
- 2) The Minister is empowered to issue regulations establishing rates of depreciation of fixed assets, including without limitation of, buildings, machinery, furniture, motor vehicle, and the like.

### **ARTICLE 24**

In calculating taxable income mentioned in sub-article 1 of Article 23, all expenses wholly, necessarily and exclusively paid or incurred for the purpose of carrying on such activities shall be deductible from gross income.

### **ARTICLE 25**

Interest paid on any sum received as a loan, whether or not so designated for use in any activity shall not be deductible from gross income in calculating taxable income, except where said sum is received from credit institutions approved by the Government.

**25 A.**

- 1) If, for any year, a taxpayer's gross income is less than the deductions the taxpayer is entitled to under this Proclamation, the taxpayer shall be considered as having a net loss for that year.
- 2) Any net loss incurred in one year may be set off against taxable business income in the next 5 years, earlier losses being set off later losses.
- 3) Where the taxpayer is a company, and if during a tax period, the direct or indirect ownership of the share capital or voting rights in the company changes by more than 25 percent, sub - Article (2) hereof shall cease to apply to losses incurred by that company in previous tax periods."

**ARTICLE 26**

1. Income from sources specified in sub –article 1 and 2 of Article 22 hereof, shall be declared and tax thereon paid annually as follows:
  - a) If the tax payers are required by regulations issued by the Minister to keep books of account and records in such a way as to be able to submit to the Inland Revenue Office at the end of the year a Balance sheet and a Profit and Loss Statement with necessary specifications: within four (4) months from the end of the annual accounting period for which the tax is due;
  - b) If the tax payers are required to keep only such books of account and records as may be necessary for them to submit to the Inland Revenue Office at the end of the year a summary of their daily revenue and expenditure in the form of Profit and Loss Statement as may be prescribed by regulations issued by the Minister: within two (2) months from the end of the annual accounting period for which the tax is due;
  - c) If the tax payer is not required to keep any books, within one month (1) from the end of the annual accounting period for which the tax is due;
2. Taxes on income from sources mentioned in sub –article 4 of Article 22 hereof shall be paid within one month (1) from the day the income is earned
  - (a) Tax payment on income from royalty and chance winning shall be effected by the person carrying on such activities;
  - b) Any person or body who pays for services rendered from abroad in accordance with sub-article 4 of Article 22 of this Proclamation shall withhold the income tax there from and declare and pay same to the Inland Revenue Office within one month from the date of the payment of the fee.

## **SECTION SIX**

### **TAX ON INCOME FROM COMMERCIAL FARMING**

#### **ARTICLE 27**

Any person or body deriving income from commercial farming shall pay income tax thereon.

#### **ARTICLE 28**

Income from commercial farming shall be declared and tax thereon paid annually within four (4) months from the end of the Eritrean accounting fiscal year and tax shall be imposed on the income of the preceding fiscal year, provided, however, that the Inland Revenue Office may, at its discretion, allow the use of different accounting year.

#### **ARTICLE 29**

Any person or body having income from commercial farming shall pay income tax in accordance with schedule “D” below:

#### **SCHEDULE “D”**

Ser. no	Taxable income – Birr	Taxable rate on every addition of one Birr (%)
1.	Up to 1000 Birr	2%
2.	From 1001 up to 10000	5%
3.	From 1001 - 20000	10%
4.	From 2001 - 35000	15%
5.	Above 35000	20%

#### **ARTICLE 30**

1. The tax on income from commercial farming shall be levied, charged and collected the same as any other trade, business, vocational and professional activities; and its maintenance of books of account and records shall be applied as per sub-article 1 and 2 of Article 26 hereof.
2. The tax on income from commercial farming of persons or bodies who fail to keep books of account and records shall be charged, levied and collected by the Inland Revenue Office or

any other body designated by it. Taxable income shall be calculated in accordance with regulations issued by the Minister.

## **SECTION SEVEN**

### **GENERAL PROVISIONS**

#### **ARTICLE 31** TAX EXEMPTIONS

The following categories of income shall be exempted from payment of income tax.

- 1) Income from their own employment of self employed workers, such as weavers, pottery workers, black smith, tanners and the like, who are not resident in the municipal or township areas and who don't employ other full-time workers.
- 2) Income from employment of unskilled workers, employed by the day, who are not employed regularly by a single employer.
- 3) Income from employment received from abroad by persons present in Eritrea representing foreign business or other persons not employed or retained by any employer in Eritrea; provided, however, that if any such person remains in Eritrea less than one hundred eighty three (183) days in the aggregate in any one (1) year, shall be exempted.
- 4) Income from interest received by persons on bank accounts.
- 5) Dividends received by share-holders from incorporated or corporate bodies in Eritrea
- 6) Subject to reciprocity, income from employment received for services rendered in the exercise of their duties by:
  - a) Diplomatic and Consular representatives, and
  - b) Other persons employed in any Embassy, Legation, Consulate or Mission of a foreign state, who are nationals of that state and bearers of diplomatic passports, or who are in accordance with international usage or custom, normally and usually exempted from the payment of income tax.
- 7) Income specially exempted from income tax by the law in force in Eritrea, by international treaty or by an agreement made or approved by the Minister.

### **POWERS OF INLAND REVENUE**

#### **ARTICLE 32**

The implementation and enforcement of this Proclamation and regulations issued hereunder shall be the duty of the Inland Revenue Office designated below, acting under the authority of the Minister having branches in Provincial and Sub-provincial areas.

### **ARTICLE 33**

1. All provincial and sub-provincial tax offices shall be under the general direction and supervision of the Head Office of Inland Revenue.
2. In assessing and collecting tax, the Inland Revenue Office shall follow the procedure prescribed in regulations issued by the Minister.

### **ARTICLE 34**

Each tax payer shall supply the Inland Revenue Office with all information required for assessment of the tax and shall if required, attend either personally or by a duly appointed representative at the office of the Inland Revenue Office for this purpose and shall furnish such records, books of account, vouchers and other documents as may be required.

### **ARTICLE 35**

The Inland Revenue Office shall have the right to verify statements made by the taxpayers and to send inspectors or auditors to check records, books of account, vouchers and stock maintained by them.

### **ARTICLE 36**

1. Each Tax Payer shall notify the Inland Revenue Office of any change in his or its address, change or cessation of activity. In such cases arrears of the tax due up to the date of cessation of activity shall be paid.
2. All companies shall submit to the Inland Revenue Office a copy of their memoranda of association and statutes and shall notify any subsequent changes therein.

### **ARTICLE 37**

All Government Offices and Municipalities, all distributors, importers, and producers shall supply to the Inland Revenue Office, on request any information available in official records necessary for determining the tax liability hereunder of any tax payer.

### **ARTICLE 38**

All government Offices and Municipalities shall notify the Inland Revenue Office of all licenses issued to new business and to persons or bodies taking up professional or vocational occupations.

### **ARTICLE 39**

No government offices issuing licenses, may issue or renew licenses to person or companies engaged in business, professional or vocational activities that have not paid tax due hereunder or have failed to keep proper books of account and records as prescribed hereunder with out consulting the Inland Revenue Office.

## **DECLARATION, ASSESSMENT AND PAYMENT OF TAX**

### **ARTICLE 40**

1. Except as may be otherwise prescribed in regulations issued by the Minister:
  - a) Income shall be declared to the Inland Revenue Office in the Provinces or Sub-provinces, in which the tax payer carries on any activity, but where the tax payer carries on more than one activity and such activities are located in several Inland Revenue Office, Provinces, or Sub provinces, he shall notify in writing to the Inland Revenue Office of the Ministry the location of all activities carried on by him so that the taxable income derived from each activity may be aggregated by the Head Office of the Inland Revenue Office and the proper tax duly assessed .
  - b) Any taxpayer having more than one office shall declare his income to the Inland Revenue Office in which his Head Office is located.
  - c) A non-resident shall make his or its declaration to the Inland Revenue Office within which the major part of the income being declared is derived or in which his or its principal agent resides.
2. The agent or agents of a non–resident trading activity in Eritrea through said agent or agents shall be jointly responsible with the non-resident for the making of declarations and for the payment of income tax, which may be due from said non -resident hereunder

### **ARTICLE 41**

Declarations of taxpayers shall be made on special forms supplied by the Inland Revenue Offices.

### **ARTICLE 42**

The Inland Revenue Office shall examine declarations of income and assess the tax in the manner prescribed herein.

### **ARTICLE 43**

If the records and books of accounts maintained by the taxpayer are found to be adequate and satisfactory after examination by the Inland Revenue Office, the tax shall be assessed on the basis of said records and books of accounts.

#### **ARTICLE 44**

1. If no records and books of accounts are maintained by the tax payer, or
2. If for any reason the records and books of accounts are unacceptable to the Inland Revenue Office, or
3. If the taxpayer fails to declare his or its income within the time specified in sub- article 1 and 2 of Article 26 hereof, the Inland Revenue Office shall assess the tax by estimation.

#### **ARTICLE 45**

If a tax payer has submitted a proper declaration of income, and paid income tax thereon but doesn't receive within a period of five (5) years from the date of the receipt of the declaration by the Inland Revenue Office, a notice of assessment different from the amount of tax declared, the income declared shall be deemed approved and the tax shall be deemed to have been assessed on that income; however, where the tax payer is proven to have concealed information he may not avail himself of the five (5) year period of limitation and the Inland Revenue Office may demand payment of the additional tax due.

#### **ARTICLE 46**

The Minister may issue regulations requiring that certain categories of tax payers keep records and books of account.

#### **ARTICLE 47**

Following the assessment of the tax by the Inland Revenue Office, the difference, if any, between the tax declared and the tax assessed by the Inland Revenue Office shall be paid by, or refunded to, the tax payer, as the case may be, within thirty days (30) from the date of notification of the assessment.

#### **ARTICLE 48**

The Inland Revenue Office shall notify the tax payer in writing of their decisions concerning the assessment and payment of taxes.

#### **ARTICLE 49**

Decisions and notifications of the Inland Revenue Office shall be communicated to the taxpayer as follows:

- 1) By handing it to the tax payer in person or to his agent.
- 2) In the absence of the tax payer or his agent, by handing it to any adult member of his family or person employed by him at his residence or at the place where he is carrying on business or a professional or vocational occupation;
- 3) If the tax payer or his agent, or members of his family or any employee refuses to accept a document or to sign a receipt for it, or if for any other reason the decision or notification can not be delivered to the tax payer, the Inland Revenue Office shall:
  - a) Either affix the decision or notification on the door of the premises where the tax payer has his residence or is carrying on a business or a professional or vocational occupation, or
  - b) Publish a notice in an official journal or newspaper in which court notices are published requiring the tax payer to come to the office of the Inland Revenue Office not later than fifteen (15) days from the date of publication in order to receive the decision or notification.
- 4) The cost of publication of the notice shall be charged to the account of the taxpayer and shall be recovered accordingly. And the decision or notification shall then be deemed to be properly delivered.

## **TAX APPEAL COMMISSIONS**

### **ARTICLE 50**

The following Tax Appeal Commissions shall be appointed by the Government:

- 1) A Tax Appeal Commission to hear and decide appeals against tax assessments made by the Inland Revenue Office in the capital city.
- 2) Tax Appeal Commission for provinces, or, in case of need, for certain Sub provinces offices, to deal with appeals against tax assessment made by the Provincial or local Tax Offices situated within the area for which the Commission is appointed.

### **ARTICLE 51**

Each Tax Appeal Commission shall consist of a Chairman, a Vice-Chairman and at least five (5) members. At least half of all members of each commission shall be chosen from amongst merchants and persons carrying on professional or vocational occupations and the rest shall be chosen from Government Offices.

### **ARTICLE 52**

1. The Chairman or, in his absence, the Vice–Chairman of each Tax Appeal Commission shall be the administrative head of the Commission.
2. Each Tax Appeal Commission shall have a permanent secretary, who is a full time member of the Commission, to keep the records of the Commission and of the proceedings of its panels with a sufficient stuffs.

#### **ARTICLE 53**

1. Each appeal shall be heard and determined by the Chairman, or in his absence, by the Vice–Chairman with at least two (2) members. In the absence of the Chairman or Vice–Chairman no decision may be made.
2. The decision of the panel shall be the decision of the Tax Appeal Commission.
3. Decisions of the panel shall be taken by majority vote of the members thereof. In a case of a tie the Chairman or in his absence the Vice-Chairman shall have a casting vote.

#### **ARTICLE 54**

The Chairman, Vice Chairman and other members of each of the Commissions shall be entitled to receive such attendance fees for sitting on panels as shall be fixed by the Minister.

#### **ARTICLE 55**

1. Any taxpayer who objects to an assessment made with respect to his or to its income by the Inland Revenue Office may appeal in writing to the Tax Appeal Commission and a copy thereof shall be transmitted to the Inland Revenue Office.
2. A taxpayer can make an appeal within thirty days (30) from the date he received the notification of the assessment.
3. In the case of a company or person carrying on a business, professional, or vocational occupation and other trade activities it shall be a condition to appeal by depositing in cash with the Inland Revenue Office at least: -
  - a) An amount equal to seventy five percent (75%) of the tax assessed by the Inland Revenue Office; or
  - b) An amount equal to seventy five percent (75%) of the tax assessed in the applicant's income for the last preceding year with respect to which a final and conclusive assessment has been made; whichever of the above amounts is the lesser.
4. The provisions of Sub –article (3) of this Article shall not apply when the tax assessed is for the first time. In such a case, he shall deposit with the Inland Revenue Office in case an amount equal to thirty percent (30%) of the tax assessed by said Office.

5. In all other cases other than those referred in sub-article (3) of this Article, he shall deposit in cash an amount equal to fifty percent (50%) of the tax assessed.

#### **ARTICLE 56**

If no appeal and deposit is made by the taxpayer within the period mentioned in Article 55 hereof, the assessment of tax made by the Inland Revenue Office shall be considered as final, conclusive and executive.

#### **ARTICLE 57**

A Tax Appeal Commission may confirm, reduce, increase or annul an assessment and make such further consequential order thereon as may seem just and necessary for the final disposition of the matter. In its decision the Tax Appeal Commission shall assign reasons in law or fact. Notice of the commission's decision shall be sent to the Inland Revenue Office and its copy to the appellant.

#### **ARTICLE 58**

A decision of the Tax Appeal Commission shall be considered as final, conclusive and executive, unless an appeal is made to the High Court either by the Inland Revenue Office or the tax payer.

#### **ARTICLE 59**

If the decision of the tax appeal commission is erroneous on any matter of law, either party has the right to appeal to the High Court once within thirty days (30) from the date of the Tax Appeal Commission's decision.

#### **ARTICLE 60**

Notwithstanding any appeal taken hereunder, the tax payer shall pay the tax in accordance with the decision of the Tax Appeal Commission; provided, however, that if the assessed amount is altered as a consequence of the decision of the High Court of appeal to which an appeal is taken:

- 1) Any amount over paid shall be refunded to the tax payer, or
- 2) Any balance due shall be paid by the tax payer.

### **EXECUTION PROCEEDING**

#### **ARTICLE 61**

Applications for execution of decisions pursuant to Articles 56 and 58 of this Proclamation shall be made by the Inland Revenue Office to the Courts, which shall instruct the execution officer concerned to execute it under his responsibility.

## **ARTICLE 62**

### **1. If any person or body**

- a) fails to make an appeal and deposit within thirty days (30) from the date he or it received the notification.
- b) fails to pay or appeal within thirty days (30) from the date of notification of the decision of the appropriate Tax Appeal Commission; or
- c) fails to pay within thirty days (30) from the date of notification of the decision of the Court.

The Executive Officer is empowered, on receipt of a warrant for that purpose from the court, to attach any funds, including cash or credit held by another for such person or body and to distrain and sell any movable and immovable property of said defaulting person or body so as to collect the tax due together with any penalties and cost of execution.

- 2. Any person or body, who being requested to do so, fails to pay over or transfer to the execution officer any funds or property held by him or it for the account of said defaulting person or body, shall become personally liable for the tax owed by the said defaulting person or body.

## **PENALTIES**

## **ARTICLE 63**

Any tax payer who, being required to do so, fails to declare his or its income and pay tax thereon within the period specified in Article 26 hereof may be assessed by the Inland Revenue Office, as a penalty, twenty percent (20%) of the amount of tax finally assessed by the Inland Revenue Office.

## **ARTICLE 64**

Any tax payer who fails to pay the full amount of tax due within the time specified in this proclamation shall pay a penalty equal to five percent (5%) of the amount of tax which is in default in respect or every month during which payment is in default, up to a maximum penalty of fifty percent (50%) of the amount due

## **ARTICLE 65**

Any tax payer who fails to maintain books of account and records as may be prescribed by regulations issued by the Minister or his books of account and records become unacceptable shall pay a penalty of twenty percent (20%) of the amount of the tax finally assessed.

A seller or lessor who does not issue a receipt to a purchaser or to a lessee as per regulations issued by the Ministry of Finance:

- a) shall pay within 30 days to the Inland Revenue Department a penalty amounting to one-hundred twenty five percent (125%) of the money he received without issuing a receipt but in no case shall this amount be less than five-hundred Nakfa (500 Nakfa). in addition, if the amount he received without issuing a receipt exceeds eight-thousand Nakfa (8000 Nakfa), the inland department may suspend the license of the seller for up to one month; and
- b) any seller or lessor who is not satisfied with the decision of the Inland Revenue Department referred to in the proceeding paragraph (a), may appeal to the Tax Appeal Commission within 30 days. The decision given by the Tax Appeal Commission shall be final.”

## **ARTICLE 66**

The penalties specified in Articles 63 through 65 inclusive shall be added to and shall be deemed part of the tax and shall be recovered accordingly; provided, however, that said penalties may be waived in whole or in part, at the discretion of the Inland Revenue Office.

## **OFFENCES**

### **ARTICLE 67**

1. Any taxpayer who violates any of the provisions hereof shall be punishable in accordance with the Transitory Penal Law or Eritrea.
2. No punishment imposed pursuant to Sub – articles 1 of this Article 67 shall extinguish or abate taxes or penalties due.
3. Notwithstanding the provisions of Articles 45 and 56 of this Proclamation the Inland Revenue Office is authorized to revise, at any time any of its previous assessments of the tax in cases where it appears that the tax payer:
  - a) Omitted to give a full and proper declaration of income;
  - b) Refused to supply or supplied the Inland Revenue Office with false information concerning the sources or amounts of his income; or
  - c) Committed any other offense punishable under the Transitory Penal Law of Eritrea.

## **POWER OF THE MINISTER**

### **ARTICLE 68**

The Minister may issue Regulations for the carrying out of the provisions hereof.

### **ARTICLE 69**

The Minister may for good cause remit, in whole or in part, the tax payable by any taxpayer hereunder.

## **TRANSITORY PROVISIONS**

### **ARTICLE 70**

Nothing in this Proclamation shall affect liability of any person or body to pay previous income taxes, which were in force prior to the entry into force of this Proclamation.

## **EFFECTIVE DATE**

### **ARTICLE 71**

The Proclamation shall come into force on January 1, 1995.

Done at Asmara, October 5, 1994  
Government of Eritrea.