

New Urban House Tax Rate for Addis Ababa City

Description

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The Addis Ababa City Administration has introduced a new set of revised urban houses tax rates. These real-property tax rates are based on new research conducted by the City government. Hence the building tax or urban house tax shall be the square meter of the house x newly introduced per square meter monthly rent x 12 x tax rate of the annual rental value of the houses. This article covers the legislation behind the new urban house tax law and the research result that introduces the new property tax rates.

Proclamation No 80/1976

The source of the real-property tax emanates from the Dergue regime. After nationalization of urban land and 'extra houses', the Dergue enacted Urban Land Rent and Urban Houses Tax Proclamation No 80/1976. According to Article 19(2) of the Proclamation No 80/76, Addis Ababa City enacted its own Land Rent and Houses Tax Regulation, Legal Notice No.36/1976. Pursuant to [Tilahun Dires](#), the Regulation was intended to repeal the former applicable laws such as mainly Land and Building Tax Regulation, Legal Notice No.301 of 1964 and Land Tax Classification Regulation Legal notice 341 of 1968 and others too.

Tilahun D. further stated that the assessment of urban land rent since 1975 has been conducted by applying a fixed rate per square meter of land. This applies to different land categories according to size or use. Schedules 1 and 2 of Proclamation No. 80/1976 (as amended by Proclamation No. 161/1979) indicate this fact. A different Schedule II of Proclamation No. 161/1979 has replaced Schedule II of Proclamation No. 80/1976.

The annual rental value of the houses is implemented as a foundation to reach into the real-property tax payable on urban houses. Hence the annual rental value of up to Birr 600, 1% tax rate applies, 600-1200, 1.5%, 1200-1800, 2%, 1800-2400, 2.5%, 2400-3600, 3%, 3600-4800, 3.5%, 4800-6000, 4% and above 6000, 4.5%.

Finally, the Proclamation 80/76 on Article 14 provides lists of properties that were exempted from the urban land rent and urban houses taxes. These include public roads, squares, recreation and sports centers and cemeteries; places of worship and their compounds, nonprofit making private schools, hospitals, charitable institutions; government institutions drawing their budgets from the central Treasury; and dwelling houses whose annual rental value is less than Birr 300.

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The new urban house tax rates are introduced without the need to amend the proclamation or regulations available. The Addis Ababa City Government as of April 2023, categorized three grades of land as grades 1, 2 and 3&4. It divided these grades of land into residential and business. The

residential buildings themselves are differentiated by the materials they are made of into three namely a)wood and mud or b)condominium or c)block villa, apartment or similar buildings. Hence the rent per square meter for residential infrastructure where the houses are built from wood and mud are 214, 156, 148 from grade 1,2 and 3 & 4 respectively. Those residential condominiums rent per square meter is 247,182,161 from grade 1,2 and 3 & 4 respectively. And when it comes to villas, apartments and buildings rent per square meter is 361,317,267 from grade 1,2,and 3& 4. Similarly for business or commercial, the rent per square meter where the houses are built from wood and mud is 444, 417, 282 from grade 1,2 and 3 & 4 respectively. Those commercial condominiums rent per square meter is 493,428,398 from grade 1,2 and 3 & 4 respectively. And when it comes to business villas, apartments and buildings per square meter rent is 632,542,417 from grade 1,2,and 3 & 4 respectively.

Therefore the urban house tax shall be equal to the (square meter of the house) times (per square meter monthly rent) times (twelve) times (tax rate of the annual rental value of the houses).

To sum up the Urban Land Rent and Urban House Tax Proclamation No 80/1976 served as a basis to revise the building tax of owners of houses and buildings of Addis Ababa. The City Government conducted a research and as per the research municipality tax income can boost by just updating per square meter monthly rent of houses. Rental value is the basis for property tax. This move by the government is an attempt to update tax rates to meet the increasing demand of finance of the government.

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Date Created

May 28, 2023

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