

Mining and Petroleum Farm-out Agreements in Ethiopia

Description

By Dagnachew Tesfaye, Managing Partner at DMLF



Farm-out agreements allow mining or petroleum companies (farmor or transferors) to transfer part of their rights and obligations to another entity (farmee or transferee) usually in exchange for consideration. In Ethiopia, such farm-out agreements need to be approved and registered by the regulatory authority. The farm-out agreements need to adhere to Mining Operation Proclamation No 678/2010, as amended by Proclamation Nos 816/2013 and 1213/2020. For petroleum operation the Petroleum Operation Proclamation No 295/1986 shall govern.

The tax treatment of farm-out agreements were mentioned on Federal Income Tax Proclamation No 979/2016, Article 43. A farm-out arrangement exists if there is an agreement whereby a licensee or

contractor(referred to as transferor) has entered into an agreement (known as farm-out agreement) with a person (referred to as transferee) for the transfer of part of the interest of the transferor in mining right or petroleum agreement. The consideration given by the transferee for the transferred interest wholly or partly includes the transferee agreeing to incur expenditure or undertaking some or all of the work commitments of the transferor in respect of the part of the interest retained by the transferor.

The business income tax rate applicable to a licensee in mining or petroleum agreement is 25%.

To sum up, farm-out agreements are important in enabling mining and petroleum companies to realize their production or exploration potential. Subject to the laws of the country, these farm-out agreements transfer rights and obligations between parties. For entities who wish to farm-out transactions in Ethiopia, it is essential to obtain legal counsel skilled in mining and petroleum agreements in line with the laws of Ethiopia.

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By Mahlet Mesganaw, Partner at DMLF Background There were Federal Supreme Court Cassation Division Decisions that give contradictory interpretations on periods of limitation as to the time of filing of suit to partition of inheritance property or get share of the inheritance. Cassation File Number 186329(including 26422,20295, and others) accepts three years of limitation...

October 26, 2024

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By DMLF This brief article is intended to give picture to those who wants to know about the process of purchase of land or immovable property in Ethiopia. Thus, the article focuses on giving few informative procedures on immovable property purchase. The article attempts to shed light of the property law structure from the FDRE...

October 19, 2024

Residential House Rental Dispute Handling Procedure

By DMLF Team The Rent Control and Administration Proclamation Number 1320/2024 (hereafter referred to as this Proclamation) governs the lessor and lessee relationship when it comes to residential house rent. The Proclamation is done on May 9th 2024. The focus of this article is on disputes resolution procedures incorporated in the proclamation. The Proclamation...

October 12, 2024

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Administrative Independence of the Judiciary

By Dagnachew Tesfaye, Managing Partner at DMLF The House of Peoples' Representative has enacted a Regulation namely "the Federal Courts Administrative Employees Regulation Number 1/2023", (hereafter referred to as the Regulation). The Regulation is effective from the date of publication in the Federal Negarit Gazette. The Regulation was signed into law by the Speaker of the...

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Foreign National Spouse Adopting the Child of their Ethiopian Spouse: Cassation Division Decision

By Dagnachew Tesfaye, Managing Partner at DMLF The Federal Supreme Court Cassation Division on Cassation File Number 215383 on 30/05/2022 (Volume 26 pages 232-236) between Applicants 1. Mrs. Arsema Elias 2. Yergen Vandra Vade (rough translation from Amharic), Respondent-None, gave a binding decision on the fact that a foreigner spouse can adopt the child of...

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Major Amendments to Immigration Proclamation

By Mahlet Mesganaw, Partner at DMLF Immigration Proclamation No. 354/2003 has been governing the immigration procedures of the country since July 3rd, 2003. Quite recently, the House of Peoples' Representative of Ethiopia endorsed an amendment to the Immigration Proclamation No 354/2003. The new amendment proclamation can be referred to as Immigration Amendment Proclamation No.1339/2024. This new...

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