

Things to Know when Buying Urban Land or Immovable Property in Ethiopia

Description

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 Constitution, then indulges into the land lease holding system for urban land, who is eligible to buy land or immovable property, to documentations needed to accomplish successful purchase of land or immovable property in Ethiopia. Finally, foreigners of Ethiopian origin, who are interested to buy land lease right or immovable property have the option to do so knowing few processes.

The Right to Property

The FDRE Constitution on Article 40 declares that “the right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in the peoples of Ethiopia. Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange”. However, the government shall ensure the right of private investors to the use of land on the basis of payment arrangements established by law. Rural and urban land and resources on the land are owned by the State and peoples of Ethiopia. Hence the State is the one that allocates or transfers land to lease holders for urban land. Such transfer by the State is also done through allotment or auction. Either you are assigned land from the government or win land auction bids in a State sponsored tender.. When it comes to immovable property built on the land, the person who built the immovable property has the full right to the immovable property he/she builds. The ownership right extends to the permanent improvements he/she brings about on the land by his/her labour or capital. This right shall include the right to alienate, to bequeath, and, where the right of use expires, to remove his/her property, transfer his/her title, or claim compensation for it. (Article 40 of the FDRE Constitution). Thus one can buy immovable property from the owner of that immovable property or land from land lease holders.

Lease Period

Lease is a system of land tenure by which the right of use of urban land is acquired under a contract of a definite period. Whereas “urban land” refers to land located within an administrative boundary of an urban center; Any urban land user undergoes lease land holding structure. As per the Urban Land Lease Holding Proclamation Number 721/2011, the lease period for example for residential houses is 99 years. The lease period may be renewed depending on the prevailing lease price and other requirements at the time of renewal is executed.

Who is eligible?

The people that can own immovable property are Ethiopians and foreign nationals of Ethiopian origins

with the ID. Foreign investors who invested more than 10 million USD can own one dwelling house. Also legal persons formed in Ethiopia can own immovable property for their business. However, except for the above conditions, foreigners cannot purchase land lease or immovable property in Ethiopia. This is true at the time of writing of this article. The government may introduce laws that expand the right of foreigners acquiring immovable property in the near future.

Paperworks

To conclude a transaction of purchase of land lease or immovable property, the first thing to do is ascertain the title deed certificate is free from debt or injunction order. Upon the fact that the property is transferable, the seller and buyer shall sign a sales agreement in front of a notary. As per the terms of the contract, payment shall be done and property is handed over. Title deed name change involves payment of transfer tax and stamp duty. This process of buy and sell of land lease or immovable property is the same for Ethiopian, foreign nationals of Ethiopian origin or foreigners who invested USD\$10million or companies registered in Ethiopia.

Foreign Nationals of Ethiopian Origin

As per Proclamation No 270/2002, foreign nationals of Ethiopian origin need to undergo the process for obtaining the so-called 'yellow id'. This id will entitle them to purchase land lease or immovable property in Ethiopia. The diaspora himself or herself or the proxy should execute a contract of purchase in front of the notary public. Article 1723 of the Civil Code of Ethiopia states that all contracts regarding immovable property have to be signed in front of the notary public. At the time this article is written, Ethiopian banks are offering loan facilities for the diaspora to buy properties in Ethiopia using their foreign currency.

For property purchase related issues, you may contact us at info@dmethiolawyers.com

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dmethiol_admin