

## Incentives for Expansion/Upgrading of Investment

### Description

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The Ethiopian Ministry of Finance has issued a Directive namely a Directive to Provide for the Application of Tax Incentives for Expansion/Upgrading of Investment No 941/2023(the Directive).

The Directive aims to benefit those investors who use their resources or profits back into expanding or upgrading their investment. The tax benefits are twofold namely income tax exemption and exemption from custom duties. The investor who expands or upgrades his existing enterprise shall receive:

- income tax exemption on income obtained from the expansion or upgrading, and
- import duty free those capital goods necessary for expanding or upgrading of the existing enterprise.



The criteria for receiving exemptions in income tax or customs duty rests on the fact that the expansion or upgrade increases in volume at least 50% and above of the attainable production or service rendering capacity of the existing enterprise. Alternatively the investor will benefit from the tax exemption when the expansion or upgrade increases in variety by at least 100% by introducing new production or service rendering lines of the existing enterprise.

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### Date Created

January 29, 2023

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