

APPLICABILITY OF COMMERCIAL CODE OF ETHIOPIA

Description

By DMLF Team

The Commercial Code of Ethiopia Proclamation No 1243/2021 lays the foundation for conduct of commercial activities in Ethiopia. Thus the Commercial Code shall therefore be applicable to sole traders and business organizations incorporated in Ethiopia. The following are types of business organizations where Commercial Code applies: 1/ General partnership; 2/ Limited partnership; 3/ Limited liability partnership; 4/ Joint venture; 5/ Share company; 6/ Private limited company; 7/ One person private limited company.

In addition to the above, Ethiopian law applies to enterprises incorporated abroad having their head office in Ethiopia. Business organizations incorporated abroad or sole proprietorships established outside Ethiopia and whose head office or principal place of business is in Ethiopia shall be subject to the relevant provisions of the Commercial Code and other laws of Ethiopia. Furthermore when organizations or sole proprietorships are incorporated in Ethiopia but operating abroad, the provisions of the Commercial Code shall apply to them. Those foreign organizations that have a form other than those recognized by the Commercial Code, shall be subject to the provisions of the Commercial Code concerning share companies, as appropriate, regarding entry into the commercial register of resolutions of general meetings of shareholders and the liability of directors. Article 587 of the Commercial Code states that nothing in the Commercial Code shall affect the application of other Ethiopian laws prohibiting, or subjecting to special conditions, the exercise of certain activities by firms in which foreign interests are represented.

The Commercial Code provides certain institutions **not** to be governed by the Commercial Code. For instance, the provisions of the Commercial Code shall not apply to administrative organs that are bodies corporate under public law, religious institutions, civil society organizations and cooperative societies even where they carry on commercial activities. However, notwithstanding the above statement of non-applicability, where administrative bodies that are bodies corporate under public law, religious institutions, civil society organizations or cooperative societies happen to be shareholders or partners in a business organization established pursuant to the Commercial Code, the relevant provisions that are applicable to shareholders or partners, as the case may be, shall apply to them. Nevertheless, **public enterprises** are subject to the application of the Commercial Code without prejudice to the applicability of the relevant special laws.

The provisions of the Civil Code of Ethiopia shall also apply to persons and business organizations carrying on a trade, unless otherwise declared by the Commercial Code. Moreover, the relevant provisions of the Maritime Code shall apply to persons and business organizations carrying on maritime trade.

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Date Created

July 16, 2023

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