

Ethiopia has Adopted New Investment Incentives on Duty Free Import of Vehicles

Description

By Mahlet Mesganaw, Partner at DMLF

The Ministry of Finance has issued a Directive to Provide for the Type and Quantity of Vehicles Allowed to be Imported Duty Free for Development Projects No 942/2023(here after the Directive). The Directive contains an attached Schedule. The Directive sets itself out to be effective as of the date of post in the website of the Ministry of Finance. This brief article is divided into four sections. The first part contains the investment areas that are allowed to import vehicles duty free. The second part looks into the location or investment amount as a determining factor on the number of vehicles allowed to be imported. The type and quantity of vehicles to be imported duty free shall be covered in third place. Fourthly, the documents necessary to be presented to allow an investor to import vehicles duty free shall be covered. And finally a conclusion shall follow.

Investment Sectors Eligible to Import Vehicles Duty Free

The Directive on Article 4 identifies in detail the beneficiaries of the incentive. These include 'manufacturing industry, industry park development, agriculture, logistics, construction contractors, star rated hotels (including resorts), motels, restaurants and lodges, railway infrastructure, information and communication technology, tour operators, electric power generation, transmission and distribution, technical inspection and analysis services and commercial works, education and training, health services and architectural and engineering works'. Moreover, on Article 16 and 19 of the Directive, the mining sector, public bodies and civil society organizations are included as eligible for import of duty free vehicles respectively. In addition to this, the attached schedule to the Directive attempts to identify specific types of investments within the investment sectors mentioned in Article 4 and 16 of the Directive. These eligible sectors could be new investment projects or expansion or upgrading projects of existing investments.

Location of Investment and Investment Amount

The location of the investment and the investment amount determines the quantity of the vehicles allowed to be imported duty free. Hence, for example, for manufacturing and agriculture investments, the attached schedule of the Directive classifies the investment areas into two. The first investment area is in Addis Ababa and Oromia Special Zone Surrounding Addis Ababa and the second one as 'Other Areas'. For the Construction sector and Star Designated Hotels, their level status is a determining factor. In other sectors, the amount of capital invested and number of employees retained determine the quantity of duty free import of such vehicles.

Types and Quantity of Vehicles

The type of vehicles that are permitted to be imported has to relate to the type of investment business of the investor. For instance, the different types of manufacturing sector businesses are allowed to import delivery vans and trucks. The agriculture sector, depending on the cultivated land amount in

hectares, is allowed to import motor bicycles and trucks. Trucks, trucks fitted with water tanker or water spray, grader, excavator, loader are allowed for construction contractors; whereas drilling rig, and crane trucks are permitted for water well drilling, or drilling for mineral, petroleum and geothermal explorations.

Minibus and midi-buses are allowed for star level hotels, motels, restaurants and lodge investment. For education and training, health services buses are included in addition to mid-bus and mini-buses. Depending on the type of mineral and amount of capital invested, the mining sector is allowed to import duty free motor bicycles and trucks. Taking into consideration the number of permanent workers, the type of vehicles allowed to be imported duty free for transportation of employees include minibus, mid-bus and autobus. The Directive also covers special purpose vehicles that are needed to be imported for the purpose of transportation of animals, or refrigerated vehicles, liquid or waste trucks and ambulances.

Required Documents

For each type of sector there may be special documents that are required to be presented in order to apply for permission to import duty free vehicles. In general, the investor wishing to enjoy the duty free import of vehicles need to present a copy of the licenses issued by the appropriate authority, bill of lading or airway bill or truck waybill and invoice. Also if the vehicles are purchased from a local source, the purchase contract with necessary evidence. If the vehicles are bought using a bank loan, the loan agreement. If the purchase is using the company's own money, a three month bank statement before the date of application for duty free privilege. When the duty free import is for transportation of employees, at least three months' payroll showing the list of permanent workers of the project and evidence that employment income tax has been paid to the government. For the mining sector, the licensing authority showing as to the status of the project implementation has to be presented in addition to the above.

Conclusion

The investment incentive in terms of allowing duty free import of vehicles aims at supporting and encouraging the investors in Ethiopia. An attempt has been made to determine the type and quantity of vehicles needed for each and every sector of investment. The Ethiopian government has sacrificed its tax income for the benefit of the investors in the country. Such a measure shall also attract more foreign direct investment. The government is also cautioning the beneficiaries to use these privileges for enhancement of their investments only.

For more inquiries, you may contact us at info@dmethiolawyers.com

Category

1. Latest Posts

Date Created

May 14, 2023

Author

dmethiol_admin