

# Income Tax and Customs Duty Incentives for Investors in Ethiopia

## Description

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The investment objective of Ethiopia is to improve the living standards of the people of Ethiopia by realizing a rapid, inclusive and sustainable economic and social development. To achieve such an objective, the Ethiopian government has put in place investment incentives on income tax exemptions and custom duty incentives by Council of Ministers Investment Incentive Regulation No 517/2022 done as of July 12,2022.

## Income Tax Exemption Incentives

Any investor who formed a new company or any existing investor expanding or upgrading her investment shall be entitled to income tax exemptions, as provided in the schedule attached to the Regulation. Those investors who have invested outside of the industrial park and who engage in export or supplies to an exporter as production or service input, at least 60% of their products and services shall be entitled to additional years of income tax exemption in addition to those provided in the schedule. The commencement period of income tax exemption is as of the date the investor obtained a business license or from the date the investor obtained expansion permit. However, the investor who has incurred loss within the period of income tax exemption period shall be allowed to carry forward such loss for half of the income tax exemption period after expiry of such period.

## Custom Duty Incentives

New investor or an investor expanding or upgrading existing investment engaged in one of the investment areas specified in the Schedule, may import duty free capital goods and construction materials necessary for the establishment of a new investment or the expansion or upgrading of an existing investment. Total or partial exemption of motor vehicles from customs duty shall be determined by Directive to be issued by the Ministry of Finance. Such imported capital goods or construction materials imported free of customs duty may be transferred to persons with similar duty free privileges. Otherwise custom duty has to be paid to transfer to those persons who have no similar duty free privileges. The investor may re-export the duty free imported capital goods or construction materials.

## Regulatory Institutions

The Ethiopian Investment Commission, Ministry of Finance, Ministry of Mines, Regional Governments, Addis Ababa and Dire Dawa City Administrations Investment Organs, Ministry of Trade and Regional Integration, Ministry of Revenue and Customs Commission are assigned common and specific duties and responsibilities to implement and follow up the implementation of investment incentives.

## Revocation of Tax Incentives

Any investor whose investment license is revoked shall return all investment incentives acquired. The Ministry of Finance shall determine the manner of return of investment incentives improperly acquired.

## **Conclusion**

To encourage investment in Ethiopia, the Ethiopian government has provided for its investors income tax exemptions and custom duty exemption privileges. The regulatory institutions duties and follow ups are defined so as to enable smooth implementation of the investment incentives to new investors or those investors expanding or upgrading their investment.

For further information, please contact Mahlet at info@dmethiolawyers.com

<https://chilot.me/wp-content/uploads/2022/08/Investment-Incentives-Regulation-No.-517-2022.pdf>

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