

Mining and Petroleum Farm-out Agreements in Ethiopia

Description

By Dagnachew Tesfaye, Managing Partner at DMLF



Farm-out agreements allow mining or petroleum companies (farmor or transferors) to transfer part of their rights and obligations to another entity (farmee or transferee) usually in exchange for consideration. In Ethiopia, such farm-out agreements need to be approved and registered by the regulatory authority. The farm-out agreements need to adhere to Mining Operation Proclamation No 678/2010, as amended by Proclamation Nos 816/2013 and 1213/2020. For petroleum operation the Petroleum Operation Proclamation No 295/1986 shall govern.

The tax treatment of farm-out agreements were mentioned on Federal Income Tax Proclamation No 979/2016, Article 43. A farm-out arrangement exists if there is an agreement whereby a licensee or

contractor(referred to as transferor) has entered into an agreement (known as farm-out agreement) with a person (referred to as transferee) for the transfer of part of the interest of the transferor in mining right or petroleum agreement. The consideration given by the transferee for the transferred interest wholly or partly includes the transferee agreeing to incur expenditure or undertaking some or all of the work commitments of the transferor in respect of the part of the interest retained by the transferor.

The business income tax rate applicable to a licensee in mining or petroleum agreement is 25%.

To sum up, farm-out agreements are important in enabling mining and petroleum companies to realize their production or exploration potential. Subject to the laws of the country, these farm-out agreements transfer rights and obligations between parties. For entities who wish to farm-out transactions in Ethiopia, it is essential to obtain legal counsel skilled in mining and petroleum agreements in line with the laws of Ethiopia.

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

-

Immigration and Citizenship Services: Ethiopian Origin ID

By DMLF The Immigration and Citizenship Services(ICS) is established based on the restructuring made on Definition of Powers and Duties of the Executive Organs Proclamation No. 1263/2021. This Proclamation entered into force on the 6th day of October, 2021. Hence ICS is established as an autonomous federal government body having its own legal personality. ICS shall...

May 12, 2024

-

Retirement Visa: A Need for Incorporation into the Immigration Laws of Ethiopia

By DMLF in collaboration with Geda Yosef Introduction A retirement visa is a special type of visa issued by some nations that allows people with adequate financial resources to live in a specific foreign country for an extended period of time. Retirement visas bring several advantages for developing countries like Ethiopia in terms of socio-economic...

May 5, 2024

-

Electric Vehicles (EVs) in Ethiopia: Legal and Regulatory Implications

By Geda Yoseph, Associate at DMLF Introduction In recent years, Ethiopia has undergone several reforms in different sectors; among these, transport and logistics. The State has taken several reforms for the effective utilization of its resources, mainly by focusing on renewable energy and the introduction of electric vehicles. In order to achieve this plan, the...

April 29, 2024

•

Ethiopia's Liberalization of Export, Import, Wholesale and Retail Trade for Foreign Investors

By Mahlet Mesganaw, Partner at DMLF Introduction The Ethiopian Investment Board by Directive Number 1001/2024, issued the "Directive to Regulate Foreign Investors' Participation in Restricted Export, Import, Wholesale and Retail Trade Investments"(the Directive). The Directive shall come into force as of the date when it is posted on the web pages of the Ministry of...

April 21, 2024

•

Income Generating Business Activities for Civil Society Organizations

By Dagnachew Tesfaye, Managing Partner at DMLF The Ethiopian Civil Society Organization Proclamation Number 1113/2019(the Proclamation), done as of March 12,2019, is enacted to regulate civil society organization. This Proclamation has allowed civil society organizations to engage in income generating business activities. To regulate in detail the business engagement of civil society organizations, the Authority...

April 14, 2024

•

Cassation Decision on Requirements of an Agreement made in an Irregular Union

By Geda Yoseph, Associate at DMLF Introduction The Federal Supreme Court Cassation Division on Cassation on File No. 185895 dated 24/02/2021, passed a binding decision as to whether an agreement on property of the man and woman made during an irregular union that lasted more than three years is required to be presented to court...

April 7, 2024

Category

1. Latest Posts

Date Created

November 26, 2023

Author

dmethiol_admin

Dagnachew & Mahlet Law Firm LLP