

# New Proclamation for Special Economic Zones in Ethiopia

## Description

By DMLF Team

In a pivotal move, the Ethiopian Parliament has approved Proclamation No. 1322/2024, which establishes guidelines for Special Economic Zones (SEZs). This legislation aims to enhance investment activities through a robust framework of support, including policies that streamline trade, bolster infrastructure, and improve amenities for investors.

Within these SEZs, a variety of specialized zones are set to emerge, such as industrial parks, free trade zones, science and technology centers, service parks, and agriculture and livestock areas. Both domestic and foreign investors interested in establishing operations will need to submit applications to the Ethiopian Investment Commission and secure the necessary investment permits.

The new SEZ Proclamation introduces a host of attractive incentives beyond the existing investment benefits. These include customs exemptions; zero-rate VAT on goods and services transported into SEZs, complete relief from domestic indirect taxes, duty-free imports for construction materials, and tax waivers on dividend income and salaries for foreign workers employed by export-oriented firms for a period of five years.

These initiatives are designed to stimulate foreign investment and promote job creation, establishing Ethiopia's SEZs as competitive environments for businesses looking to expand and thrive.

To qualify, applicants must invest a minimum of \$75 million, sourced through equity, debt, or a combination of both, and they need to allocate at least 75 hectares of land for development. The Industrial Parks Development Corporation will oversee land auctions for housing and infrastructure, while the Ethiopian Investment Commission will have the authority to designate public lands as SEZs.

The law broadens the scope of activities within SEZs, allowing for diverse sectors such as agriculture and services, aligning with Ethiopia's broader development strategies. Additionally, foreign banks are permitted to operate branches within these zones, and exporters based in SEZs will benefit from prioritized access to various foreign currencies.

In summary, this proclamation not only enhances the investment landscape in Ethiopia but also offers a promising framework for creating vibrant economic hubs that attract both local and international enterprises.

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