

### NEW TAX LEGISLATIONS

- New Federal Income Tax Proclamation (Proclamation No. 979/2016) was issued, repealing Income Tax Proclamation No. 286/2002, Income Tax Regulations No. 78/2002, Petroleum Income Tax Proclamation 296/1986 and Mining Income Tax Proclamation No. 53/1993 (with their subsequent amendments).

Income Tax Regulations No. 410/2017 issued following the Federal Income Tax Proclamation No. 979/2016 with effect on income derived after July 2016.

- New and comprehensive Federal Tax Administration Proclamation (Proclamation No. 983/2016) – the first of its kind in Ethiopia.

Federal Tax Administration Regulation No. 407/2017 issued following the Federal Tax Administration Proclamation No. 983/2016.

### HIGHLIGHTS OF THE MAJOR CHANGES:

- Income tax brackets were revised upwards from what was the floor income of 150 ETB to 600 ETB; the income bracket for top marginal tax rate on monthly employment income was raised from 5000 ETB to 10,900 ETB;
- Most of the income tax rates remain unchanged, but some tax rates have been increased – e.g., withholding income tax rate on non-resident technical service fees was increased from 10% to 15%;
- More detailed and internationally acceptable rules on cross-border transactions have been included;
- Rules for valuation of employment fringe benefits included;
- New rules for computation of taxation of financial institutions – banks and insurance companies;
- Income taxation of mining, petroleum and gas now included in the main body of the Federal Income Tax Legislation;



- Comprehensive tax administration rules for all taxes at the federal level except customs duties;  
Rules and procedures for issuance of administrative rulings by the Ministry of Finance and Economic Cooperation;
- The Tax Appeal Commission is reorganized as an autonomous dispute settlement body directly accountable to the Prime Minister;
- Appeal to the Tax Appeal Commission can now be made with a deposit of 50% of the tax assessed, instead of 50% of the tax, interest and penalties assessed under repealed legislation.

## **THE INDUSTRIAL PARK REGULATION OF 2017 –HIGHLIGHTS:**

- Detailed rules on designation of industrial parks in general and special industrial parks by the Ethiopian Investment Board;
- Rules on issuance of investment permits to industrial park developers, industrial park operators, and industrial park enterprises;
- Detailed rules on issuance of certificate of land leasehold certificate and construction permits to industrial park developers and enterprises;
- Regulations on one-stop shop services;
- Special rules on visa, residence and work permits;
- Special rules on customs control, such as rules mandating completion of customs procedure inside industrial parks and exemption from customs duties and other taxes for supplies to industrial park enterprises;
- Rules on complaint handling and dispute resolution inside industrial parks;
- Exemption from import duty and other taxes for importation of personal effects by foreign investors engaged in industrial parks;
- Exemption of salaries of expatriates employed by industrial park enterprises engaged in exports for a period of five consecutive years.

# CORPORATE

## COMMERCIAL REGISTRATION AND BUSINESS LICENSING PROCLAMATION NO. 980/2016

- Ethiopia's New Business Registration, which came into force on the 5th of August 2016, recognizes the formation of holding companies;
- This law provides that two or more private limited companies can establish a holding company. The holder company shall be jointly and severally liable with its member companies to the claim of third parties.
- The new law also recognizes and regulates franchisee trade agreement, border trade business and opening of branch offices by foreign chamber of commerce in Ethiopia. Furthermore, the new law prohibits operating as a sole importer or distributor. It also relaxed the rules on the requirement of certificate of competence.

# MINING & ENERGY

## GEOHERMAL RESOURCES DEVELOPMENT PROCLAMATION NO. 981/2016

- The main change which was introduced by this proclamation was ending the application of Mining Operations Proclamation No. 678/2010 on geothermal resources.
- The change has also resulted in lifting the royalty payable by license holders.
- Another change introduced was change in the regulatory body for geothermal resources: the Ethiopian Energy Authority is now the licensing authority.

## ETHIOPIAN ELECTRIC POWER ESTABLISHMENT COUNCIL OF MINISTERS (AMENDMENT) REGULATION NO 381/2016

- This Regulation amended the purpose of Ethiopian Electric Power and decreased the capital of the enterprise which was provided under Regulation No. 302/2013.



Tele.: +251 115 15 97 98, +251 115 54 79 38  
Fax No.: +251 115 15 98 22  
Email: [mehrteab@mehrteableul.com](mailto:mehrteab@mehrteableul.com)  
Website: [www.mehrteableul.com](http://www.mehrteableul.com)

Address: Africa Avenue, Dembel City Centre,  
8th Floor (Via Lift No. 4)  
P.O.Box 33449  
Addis Ababa, Ethiopia