



Ethiopian Investment Commission (EIC)

Incentives

1. Fiscal Incentives

1.1 Customs Duty

Applicable to both domestic and foreign investors engaged in eligible new enterprises or expansion projects in manufacturing, agriculture, agro-industries, generation, transmission and supply of electrical energy, Information and Communication Technology Development (ICT), tourism, construction contracting, education and training, star designated hotel, specialized restaurant, architectural and engineering consultancy works, technical testing and analysis, capital goods leasing and importation of LPG and bitumen.

- 100% exemption from the payment of customs duties and other taxes levied on imports is granted to all capital goods, such as plant, machinery and equipment and construction materials
- Spare parts worth up to 15% of the total value of the imported investment capital goods, provided that the goods are also exempt from the payment of customs duties
- An investor granted with a customs duty exemption will be allowed to import capital goods duty free indefinitely if his investment is in manufacturing and agriculture, and for five years if his investment is in other eligible areas
- An investor entitled to a duty-free privilege who buys capital goods or construction materials from local manufacturing industries shall be refunded the customs duty paid for raw materials or components used as inputs for the production of such goods
- Investment capital goods imported without the payment of custom duties and other taxes levied on imports may be transferred to another investor enjoying similar privileges

Areas of investment eligible for exemption of customs duty (applicable to foreign investors)

1. Manufacturing

- Food industry
- Beverage industry
- Textiles and textiles products industry
- Leather and leather products industry
- Wood products industry
- Paper and paper products industry
- Chemical and chemical products industry
- Basic pharmaceutical products and pharmaceutical preparations industry
- Rubber and plastics products industry
- Other non-metallic mineral products industry
- Basic metal industry
- Fabricated metal products industry
- Computer, electronic and optical products industry
- Electrical products industry
- Machinery and equipment industry
- Integrated manufacturing with agriculture
- Vehicles, trailers, and semi-trailer industry
- Manufacturing of office and household furniture
- Manufacturing of other equipment

2. Agriculture

- Crop production
- Animal production
- Mixed (crop and animal) farming
- Forestry

3. ICT

4. Generation, transmission and supply of electrical energy

5. Hotel and tourism

- Star designated hotel and resort, motel, lodges and restaurant
- Tour operation grade one

6. Construction contracting

Construction contracting, water well and mineral exploration drilling grade one

7. Education and training

- Secondary and higher education by constructing own building
- Technical and vocational training service including sport

8. Health services

- Hospital service by constructing own building

9. Architectural and engineering works and related technical services, technical testing and analysis

10. Import trade

- Importation of LPG and bitumen

1.2 Income Tax Exemption

- Investors engaged in manufacturing, agribusiness, generation, transmission and supply of electrical energy; and ICT are entitled to income tax exemptions for a period ranging between 1 and 9 years, depending on the specific activity and the location of the investor

Areas of investment eligible for exemption of income tax

<i>Areas of Investment</i>	<i>Addis Ababa and Special Zone of Oromia Surrounding Addis Ababa</i>	<i>Other Areas</i>
1. Manufacturing		
i. Food industry	1 up to 5 years	2 up to 6 years
ii. Beverage industry	1 up to 3 years	2 up to 4 years
iii. Textiles and textiles products industry	2 up to 5 years	3 up to 6 years
iv. Leather and leather products industry (Except tanning of hides and skins below finished level)	2 up to 5 years	3 upto 6 years
v. Wood products industry	2 years	3 years
vi. Paper and paper products industry	1 up to 5 years	2 up to 6 years
vii. Chemical and chemical products industry	2 up to 5 years	3 up to 6 years
viii. Basic pharmaceutical products and pharmaceutical preparations industry	4 and 5 years	5 and 6 years
ix. Rubber and plastics products industry	1 and 4 years	2 and 5 years
x. Other non-metallic mineral products industry)	1 and 4 years	2 up to 5 years
xi. Basic metal industry (excluding mining of minerals)	3 up to 5 years	4 up to 6 years
xii. Fabricated metal products industry (excluding machinery and equipment)	1 and 3 years	2 and 4 years
xiii. Computer, electronic and optical products industry	2 up to 4 years	3 up to 5 years
xiv. Electrical products industry	2 and 4 years	4 and 5 years
xv. Machinery and equipment industry	5 years	6 years
xvi. Vehicles, trailers, and semi trailer industry	2 up to 5 years	3 up to 6 years

xvii. Manufacturing of office and household furniture (excluding those made of ceramic)	1 and 4 years	2 and 5 years
xviii. Manufacturing of other equipment (jewelers and related articles, musical instruments, sports equipment, games and toys and similar products)	1 year	2 years
xix. Integrated manufacturing with agriculture	4 years	5 years
2. Agriculture		
i. Crop production (Except growing of fiber crops, medium-term spices, aromatic or medicinal crops, perennial fruits, beverage crops and other perennial crops in Addis Ababa and its surroundings)	2 and 3 years	3 up to 6 years
ii. Animal production (Except farming of wild animals and production of milk, eggs and similar products in Addis Ababa and its surroundings)	2 and 3 years	3 and 4 years
iii. Mixed (crop and animal) farming	3 years	4 years
iv. Forestry	8 years	9 years
3. ICT	4 years	5 years
4. Generation, transmission and supply of electrical energy	4 years	5 years

- In addition, any investor who establishes a new enterprise in Gambella; Benshangul/Gumuz; Afar (except in areas within 15 kilometers right and left of the Awash River); Somali; Guji and Borena Zones (in Oromia); or South Omo Zone, Segen (Derashe, Amaro, Konso and Burji) Area Peoples Zone, Bench-Maji Zone, Sheka Zone, Dawro Zone, Keffa Zone, Konta and Basketo Special Woredas (in Southern Nations, Nationalities and Peoples Region) is entitled to an income tax deduction of 30% for three consecutive years after the expiry of the income tax exemption period specified above
- An investor who expands or upgrades his existing enterprise and increases at least by 50 percent its production or service capacity, or introduces a new production or service line at least by 100 percent of an existing enterprise is entitled to the income tax exemption period specified in the first bullet above
- Investors who export at least 60 percent of their products or services, or supply these to an exporter, will be exempted from the payment of income tax for an additional 2 years

2. Non-fiscal Incentives

Non- fiscal incentives are given to all investors who produce export products. Such investors will be allowed to import machinery and equipment necessary for their investment projects through suppliers' credit.

2.1 Loss carry forward

Business enterprises that suffer losses during the income tax exemption period can carry forward such losses, following the expiration of the income tax exemption period, for half of the tax exemption period. Any loss incurred during income tax exemption period is not allowed to carry forward for more than five income tax periods.

2.2 Export Incentives

Fiscal incentives available to all exporters include:

- With the exception of a few products (e.g. semi-processed hides and skins-150%), no export tax is levied on Ethiopian export products
- Duty Drawback Scheme: this scheme offers investors an exemption from the payment of customs duties and other taxes levied on imported and locally purchased raw materials used in the production of export goods. Duties and other taxes paid are drawn back 100 percent at the time of the export of the finished goods
- Voucher Scheme: a voucher is a printed document having monetary value, which is used in lieu of duties and taxes payable on imported raw materials. The beneficiaries of the voucher scheme are also exporters
- Bonded Factory and Manufacturing Warehouse Schemes: producers not eligible for voucher scheme but having licensed for bonded are entitled to operate such factory or warehouse in importing of raw materials duty free

2.3 Non-fiscal export incentives

- Exporters are allowed to retain and deposit in a bank account up to 20 percent of their foreign exchange earnings for future use in the operation of their enterprises and no export price control is imposed by the National Bank of Ethiopia
- Franco valuta import of raw materials are allowed for enterprises engaged in export processing
- Exporters can benefit from the export credit guarantee scheme, which is presently in place in order to ensure an exporter receives payment for goods shipped overseas in the event the customer defaults, reducing the risk of exporters' business and allowing it to keep its price competitive

2.4 Remittance of Capital

A foreign investor has the right to make the following remittances out of Ethiopia in convertible foreign currency:

- profits and dividends
- principals and interest payments on external loans
- payments related to technology transfer agreements
- proceeds from the sale or liquidation of an enterprise
- compensation paid to an investor
- proceeds from the sale or transfer of shares or partial ownership of an enterprise to a domestic investor