

## Incentives

Written by EED Admin

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Investors are eligible for investment incentives. Special incentive sectors and sub-sectors include agricultural development and agro-processing, agricultural production, manufacturing of equipment and machinery, spare parts, components and supplies, vehicle bodies, other products and assembly plants, and publishing of printed goods; large-scale road and building construction and other related works. Rural transportation facilities; and the purchase of spraying machinery, trucks fitted with refrigeration facilities, or other equipment for support services are also eligible for special incentive facilities.

An investor in one of these specified areas who meets the conditions for a qualifying investment certificate, and who produces evidence showing the exact amount of the capital invested within 30 days of commencement of operation, may qualify for incentives.

Incentives include:

- Exemption from payment of income tax for the period between 2 to 7 years depending on the area of investment, volume of exporting and the location of investment; 100% exemption from payment of import custom duties on all investment goods;
- Duty-free imports of spare parts up to 15% of the value of capital goods imported;
- Capital goods imported without the payment of import duties and other import taxes may be transferred to another investor enjoying similar privileges;
- Exemption from custom duties or other import taxes are granted on raw materials that are required in the production of export goods. Taxes and duties paid on raw materials are drawn back at the time of export of finished products. The duty drawback scheme applies to all taxed at the time of import, as well as those paid on local purchases.
- Exemption from any export taxes and other taxes levied on exports for Ethiopian products and services destined for export;
- Carrying forward of losses during a tax exemption period for half of the tax holiday period after the expiry of the tax holiday;
- Export products from Ethiopia to the European Union are entitled to duty reductions or exemptions and are free from all quota restrictions under the Lome Convention. Trade preferences include duty-free entry of all industrial products and a wide range of agricultural products including fruits, vegetables, pulses and oil seeds. Under the Generalized system of Preference (GSP), a wide range of Ethiopia's manufactured products are entitled to preferential duty treatment in the USA, Canada, Switzerland, Norway, Sweden, Finland, Austria and Japan, as well as most European Union countries. Furthermore, no quantitative restrictions are applicable to Ethiopian exports on any of the 3,000-plus items currently eligible for Act (AGOA) & Everything But Arms (EBA) are the respective US and Europe export market opportunities open for exports from Ethiopia. The country has also access to 23 African countries through COMESA.

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## **Investment Protection and Guarantee**

The Government encourages foreign investors to invest in a broad range of industries which allows foreigners to hold up to 100% equity ownership. According to the investment Proclamation, investors are legally protected against the expropriation and nationalization of assets. In addition to this, Ethiopia has ratified the convention establishing the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group. It has also signed bilateral investment promotion agreements with a number of OECD (Organization for Economic Cooperation and Development) countries.

The investment proclamation allows all foreign investors, whether they receive incentives or not, to freely remit profits and dividends, principal and interest on foreign loans, and fees related to technology transfer. Foreign investors may also remit proceeds from the sale or liquidation of assets, from the transfer of shares or of partial ownership of an enterprise, and funds required for debt service or other international payments. The right of expatriate employees to remit their salaries is granted in accordance with the foreign exchange regulations of the National Bank of Ethiopia.

## **Investment Laws**

Both foreign and domestic private entities have the right to establish, acquire, own, and dispose of most forms of business enterprises.

Land for investment purposes is obtained on lease and with prices set by periodic auctions. Land leasehold regulations vary in form and practice from region to region. Nonetheless, they all are best in attracting investments. Land could be obtained by paying nominal or fair charges. In some priority investment areas, land could be availed even free of charges. There are also industrial zones with adequate infrastructure facilities.

Ethiopia works hard to combat corruption through a combination of social pressure, cultural norms, and legal restrictions. Although corruption exists, it is not a significant hindrance to investment or trade in Ethiopia.

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