

Tax	Nature of Tax	Deductions and Exemptions	Rates																					
1. Taxes on income and profits. Income Tax Proclamation No. 286/2002																								
1.1 Income tax on employment Proclamation No.286/2002.	Tax on income from employment, including, without limitations, salaries, wages, allowances, directors' fees, and other personal emoluments. Tax is withheld by employer.	<p>(1) The first Br 150 of monthly income should be deducted prior to the calculation of the tax.</p> <p>(2) Income from employment received by casual employees who are not regularly employed provided that they do not work for more than one month for the same employer in any twelve months.</p> <p>(3) Pension contribution, provident fund and all forms of retirement benefits contributed by employers in an amount that does not exceed 15% of the monthly salary of the employee.</p> <p>(4) Subject to reciprocity, income from employment, received for services rendered in the exercise of their duties by:</p> <p>a) Diplomatic and consular representatives, and</p> <p>b) Other persons employed in any Embassy, Legation, Consulate or Mission of a foreign state performing state affairs, who are national of that state and bearers of diplomatic passports or who are in accordance with international usage or custom normally and usually exempted from the payment of income tax</p> <p>(5) Income specifically exempted from income tax by:</p>	<p>The marginal tax rates are as follows:</p> <table border="1"> <thead> <tr> <th data-bbox="948 569 987 596">No.</th> <th data-bbox="1013 569 1279 596">Monthly taxable income (birr)</th> <th data-bbox="1365 548 1450 617">Marginal tax rate (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="948 688 959 709">1</td> <td data-bbox="1013 688 1094 709">151 - 650</td> <td data-bbox="1425 688 1450 709">10</td> </tr> <tr> <td data-bbox="948 785 959 806">2</td> <td data-bbox="1013 785 1110 806">650 - 1,400</td> <td data-bbox="1425 785 1450 806">15</td> </tr> <tr> <td data-bbox="948 877 959 898">3</td> <td data-bbox="1013 877 1127 898">1,400 - 2,350</td> <td data-bbox="1425 877 1450 898">20</td> </tr> <tr> <td data-bbox="948 974 959 995">4</td> <td data-bbox="1013 974 1127 995">2,350 - 3,550</td> <td data-bbox="1425 974 1450 995">25</td> </tr> <tr> <td data-bbox="948 1066 959 1087">5</td> <td data-bbox="1013 1066 1127 1087">3,550 - 5,000</td> <td data-bbox="1425 1066 1450 1087">30</td> </tr> <tr> <td data-bbox="948 1163 959 1184">6</td> <td data-bbox="1013 1163 1110 1184">Over 5,000</td> <td data-bbox="1425 1163 1450 1184">35</td> </tr> </tbody> </table>	No.	Monthly taxable income (birr)	Marginal tax rate (%)	1	151 - 650	10	2	650 - 1,400	15	3	1,400 - 2,350	20	4	2,350 - 3,550	25	5	3,550 - 5,000	30	6	Over 5,000	35
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		<p>(a) Any law in Ethiopia, unless specifically amended or deleted by this Proclamation;</p> <p>(b) International treaty; or</p> <p>(c) An agreement made or approved by the Minister.</p> <p>(6) the Council of Ministers may by regulations exempt any income recognized as such by this Proclamation for economic, administrative or social reason.</p> <p>(7) payments made to a person as compensation or a gratitude in relation to:</p> <p>(a) Personal injuries suffered by that person;</p> <p>(b) The death of another person.</p>	
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1.2 Taxes on income from rental of buildings

1.2.1 Incorporated business Proclamation No.286/2002.	Tax on income derived from the rent of houses or office buildings, manufacturing plants, materials and goods, etc. The tax is computed on the basis of annual rent income after deducting allowable expenses.	<p>The following amounts shall be deducted from income in computing taxable income:</p> <p>(1) taxes paid with respect to the land and buildings being leased; except income taxes;</p> <p>(2) for taxpayers not maintaining books of account, one fifth of the gross income received as rent for buildings furniture and equipment as an allowance for repairs, maintenance and depreciation of such buildings, furniture and equipment;</p> <p>(3) for taxpayers maintaining books of accounts, the expenses incurred in earning, securing, and maintaining rental income, to the extent that the expenses can be proven by the taxpayer and subject to the limitations specified by this Proclamation; deductible expenses include (but are not limited to) the cost of lease (rent) of land, repairs,</p>	Thirty percent (30%) of taxable income.
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		<p>maintenance, and depreciation of buildings, furniture and equipment in accordance with Article 23 of this Proclamation as well as interest on bank loans, insurance premiums.</p> <p>(4) The first Br 1,800 of annual income should be deducted prior to the calculation of the tax.</p>																						
<p>1.2.2 Unincorporated/ Persons</p> <p>Proclamation No.286/2002.</p>	As in 1.2.2	As in 1.2.2	<table border="1"> <thead> <tr> <th>No.</th> <th>Annual taxable income (birr)</th> <th>Marginal tax rate(%)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1,801 -7,800</td> <td>10</td> </tr> <tr> <td>2</td> <td>7,800-16,800</td> <td>15</td> </tr> <tr> <td>3</td> <td>16,800-28,200</td> <td>20</td> </tr> <tr> <td>4</td> <td>28,200-42,600</td> <td>25</td> </tr> <tr> <td>5</td> <td>42,600-60,000</td> <td>30</td> </tr> <tr> <td>6</td> <td>Over 60,000</td> <td>35</td> </tr> </tbody> </table>	No.	Annual taxable income (birr)	Marginal tax rate(%)	1	1,801 -7,800	10	2	7,800-16,800	15	3	16,800-28,200	20	4	28,200-42,600	25	5	42,600-60,000	30	6	Over 60,000	35
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1.3 Tax on business and other profits																								
<p>1.3.1 Unincorporated business</p> <p>Proclamation No. 286/2002.</p>	<p>Tax imposed on the taxable business income realized from entrepreneurial activity. The taxable income is determined per tax period on the basis of the profit and loss account or income statement, which shall be drawn in compliance with the Generally Accepted Accounting Standards, subject to the provisions of this Proclamation and directives issued by the Tax Authority.</p>	<p>The first Br 1,800 of annual income should be deducted prior to the calculation of the tax.</p> <p>The following categories of income shall be exempt of business income tax:</p> <p>(1) awards for adapted or suggested innovations and cost saving measures</p> <p>(2) public awards for outstanding performance tax of any field</p> <p>(3) income specifically exempted from income tax by the law in force in Ethiopia, by international treaty or by an</p>	<table border="1"> <thead> <tr> <th>No.</th> <th>Annual taxable income (birr)</th> <th>Marginal tax rate (%)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1,801 -7,800</td> <td>10</td> </tr> <tr> <td>2</td> <td>7,800-16,800</td> <td>15</td> </tr> <tr> <td>3</td> <td>16,800-28,200</td> <td>20</td> </tr> <tr> <td>4</td> <td>28,200-42,600</td> <td>25</td> </tr> </tbody> </table>	No.	Annual taxable income (birr)	Marginal tax rate (%)	1	1,801 -7,800	10	2	7,800-16,800	15	3	16,800-28,200	20	4	28,200-42,600	25						
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		(4) The revenue obtained by:			
		(a) The Federal, Regional and Local Governments of Ethiopia;	6	Over 60,001	35
		(b) the National Bank of Ethiopia from activities that are incidental to their operations shall be exempt from tax on business income.			
1.3.2 Incorporated business Proclamation No. 286/2002.	As in 1.3.1	As in 1.3.1	<b>30 percent</b> of taxable income.		
1.4 Taxes on Other Incomes					
1.4.1 Income tax on Royalties	Tax collected from Royalty. Where Royalty means a payment of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematography films, and films or tapes for radio or television broadcasting, any patent, trade work, design or model, plan, secret formula or process, or for the use or for the right to use of any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.  The withholding Agent who effects payment shall withhold the foregoing tax and account to the Tax Authority with in the time limit set out in this Proclamation.	None.	5 Percent on income earned from Royalty.		
1.4.2 Income tax on Income from Rendering of Technical Services	Tax liable on all payments obtained in consideration of any kind of technical services rendered outside Ethiopia to resident persons in any form.	None.	10 Percent on the payment made.		

	Where "Technical service" means any kind of expert advise or technological service rendered.		
1.4.3 Tax on Income from Games of Chance	Tax on income derived from winning at games of chance (for example, lotteries, tombolas, and other similar activities)	Tax is not paid on winnings of less than 100 Birr.	15 Percent
1.4.4 Dividends	Tax on income derived from dividends from a share company or withdrawals of profits from a private limited company. The withholding Agent shall withhold or collect the tax and account to the Tax Authority.	None.	10 Percent
1.4.5 Tax on income from Rental of Property	Tax on income derived from the causal rental of property (including any land, building, or movable asset) not related to a business activity taxable under 1.2 above.	None.	15 Percent on the annual gross income
1.4.6 Tax on Interest Income on Deposits	Tax on income derived from interest on deposits. The payer shall withhold the tax and account to the Tax Authority.	None.	5 Percent
1.4.7 Tax on the Gain on the Transfer of Certain Investment Property	Income tax on gains obtained from the transfer (sale or gift) of property.	Gains obtained from the transfer of building held for residence is exempt.	The following rates are levied:  (a) 15 Percent for building held for business, factory, office.  (b) 30 Percent for shares of companies.
1.5 Rural land and agricultural activities income tax			Varies from region to region.
2. Taxes on goods and services			

2.1 Excise tax Proclamation No. 307/2002;	Excise tax is levied on selected list of locally produced and imported goods. The tax base is the cost of production for goods produced locally and C.I.F value for imported goods. The tax is collected within thirty days from the date of production for locally produced goods and at the time clearing the goods from Customs area for imported goods. However, if the tax payer requests for permission to deposit goods produced in a bonded warehouse without payment of tax and if the request is approved by the Tax Authority the payment of the tax on such goods so deposited shall be effected at the time they are being removed from the Bonded warehouse.	None.	<table border="1"> <thead> <tr> <th data-bbox="948 212 1386 233"><b>Goods</b></th> <th data-bbox="1406 191 1451 254"><b>Tax rate (%)</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="948 327 1386 348">1. Any type of sugar in solid form, excluding molasses</td> <td data-bbox="1422 327 1451 348">33</td> </tr> <tr> <td data-bbox="948 432 1024 453">2. Drinks</td> <td></td> </tr> <tr> <td data-bbox="967 527 1344 548">2.1 All types of soft drinks (except fruit juices)</td> <td data-bbox="1422 527 1451 548">40</td> </tr> <tr> <td data-bbox="967 621 1149 642">2.2 Powder soft drinks</td> <td data-bbox="1422 621 1451 642">40</td> </tr> <tr> <td data-bbox="967 716 1284 737">2.3 Water bottled or canned in a factory</td> <td data-bbox="1422 716 1451 737">30</td> </tr> <tr> <td data-bbox="967 810 1122 831">2.4 Alcohol Drinks</td> <td></td> </tr> <tr> <td data-bbox="992 915 1252 936">2.4.1 All types of beer and stout</td> <td data-bbox="1422 915 1451 936">50</td> </tr> <tr> <td data-bbox="992 1010 1179 1031">2.4.2 All types of wine</td> <td data-bbox="1422 1010 1451 1031">50</td> </tr> <tr> <td data-bbox="992 1104 1097 1125">2.4.3 Whisky</td> <td data-bbox="1422 1104 1451 1125">50</td> </tr> <tr> <td data-bbox="992 1199 1219 1220">2.4.4 Other alcoholic drinks</td> <td data-bbox="1422 1199 1451 1220">100</td> </tr> <tr> <td data-bbox="948 1293 1166 1314">3. All types of pure alcohol</td> <td data-bbox="1422 1293 1451 1314">75</td> </tr> <tr> <td data-bbox="948 1388 1227 1409">4. Tobacco &amp; Tobacco Products:</td> <td></td> </tr> <tr> <td data-bbox="967 1493 1114 1514">4.1 Tobacco leaf</td> <td data-bbox="1422 1493 1451 1514">20</td> </tr> <tr> <td data-bbox="967 1587 1276 1661">4.2 Cigarettes, cigar, cigarillos, pipe tobacco and its products</td> <td data-bbox="1422 1640 1451 1661">75</td> </tr> <tr> <td data-bbox="948 1734 1003 1755">5. Salt</td> <td data-bbox="1422 1734 1451 1755">30</td> </tr> <tr> <td data-bbox="948 1829 1308 1902">6. Fuel-Super Benzene, Regular Benzene, Petrol, Gasoline and other Motor Spirits</td> <td data-bbox="1422 1881 1451 1902">30</td> </tr> </tbody> </table>	<b>Goods</b>	<b>Tax rate (%)</b>	1. Any type of sugar in solid form, excluding molasses	33	2. Drinks		2.1 All types of soft drinks (except fruit juices)	40	2.2 Powder soft drinks	40	2.3 Water bottled or canned in a factory	30	2.4 Alcohol Drinks		2.4.1 All types of beer and stout	50	2.4.2 All types of wine	50	2.4.3 Whisky	50	2.4.4 Other alcoholic drinks	100	3. All types of pure alcohol	75	4. Tobacco & Tobacco Products:		4.1 Tobacco leaf	20	4.2 Cigarettes, cigar, cigarillos, pipe tobacco and its products	75	5. Salt	30	6. Fuel-Super Benzene, Regular Benzene, Petrol, Gasoline and other Motor Spirits	30
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7. Perfumes and Toilet Waters	100
8. Textile and Textile Products	
8.1 Textile fabrics, knitted or woven of natural silk, rayon, wool or other similar materials	10
8.2 Textile of any type partly or wholly made from cotton, which is gray, white, dyed or printed, in pieces of any length or width (except Mosquito net and "Abudgedid") and including blankets, bedsheets, counter panes, towels, table clothes and similar articles	10
8.3 Garments	10
9. Personal adornment made of gold, silver or other materials	20
10. Dish washing machines of a kind for domestic purposes	80
11. Washing machines of a kind for domestic purposes	30
12. Video decks	40
13. Television & Video Cameras	40
14. Television broadcast receivers whether or not combined with gramophone, radio, or sound receivers and reproducers	10

			<p>15. Motor passenger cars, Station Wagons, utility cars, and Land Rovers, Jeeps pickups, similar vehicles (including motorized caravans), whether assembled, together with their appropriate initial equipment:</p> <p>15.1 Upto 1,300 cc 30</p> <p>15.2 1,300-18,00 cc 60</p> <p>15.3 above 1800 cc 100</p> <p>16. Carpets 30</p> <p>17. Asbestos and Asbestos Products 20</p> <p>18. Clocks and watches 20</p> <p>19. Dolls and toys 20</p>
<p>2.2 Value Added Tax (VAT) Proclamation No.285/2002.</p>	<p>Levied on locally produced goods at the manufacturing level or on imported goods at the import gate. The bases for taxation are the producer's wholesale price plus excise tax for local goods or the c.i.f. value plus customs duty and excise tax for imports. There is a refund for sales tax paid on raw materials used in the production of local goods, except for pure alcohol used as raw material. The tax is payable monthly within three to five days of the end of the month. For imported goods, the tax is collected at the same time as the customs duty.</p>	<p>The following taxable transactions are zero rated:</p> <ul style="list-style-type: none"> <li>▪ Export of goods/services to the extent provided in regulation;</li> <li>▪ The rendering of transportation or other services directly connected with international transport of goods or passengers, as well as the supply of lubricants and other consumable technical supplies taken on board for consumption during international flights;</li> <li>▪ The supply of gold to the National Bank of Ethiopia; and</li> <li>▪ A supply by a registered person to another registered person in a single transaction of substantially all of the</li> </ul>	<p>15% (Fifteen percent) on each transacted sale of goods and services.</p>



assets of a taxable activity or an independent functioning part of a taxable activity as a going concern, provided a notice in writing signed by the transferor and transferee is furnished to the Authority within 21 days after the supply takes place and such notice includes the details of the supply.

The following types of supplies of goods or rendering of services are exempted:

- The sale or transfer of a used dwelling, or the lease of a dwelling;
- The rendering of financial services;
- The supply or import of national or foreign currency (except for that used for numismatic purposes), and of securities;
- The import of gold to be transferred to the National Bank of Ethiopia;
- The rendering by religious organizations of religious or church related services;
- The import or supply of prescription drugs specified in directives issued by the Minister of Health, and the rendering of medical services;
- The supply of goods and rendering of services in the form of humanitarian aid, as well as import of goods transferred to state agencies of Ethiopia and public organizations for the purpose of rehabilitation after natural disasters, industrial accidents, and catastrophies;
- The supply of electricity, kerosene, and water;
- Goods imported by the government, organizations, institutions or projects exempted from duties and other import

		<p>taxes to the extent provided by law or by agreement;</p> <ul style="list-style-type: none"> <li>▪ Supplies by the post office authorized under the Ethiopian Postal Services Proclamation, other than services rendered for a fee or commission;</li> <li>▪ The provision of transport;</li> <li>▪ Permits and license fees;</li> <li>▪ The import of goods to the extent provided under Schedule 2 of the Customs Tariffs Regulations;</li> <li>▪ The supply of goods or services by a workshop employing disabled individuals if more than 60 percent of the employees are disabled; and</li> <li>▪ The import or supply of books and other printed materials to the extent provided in regulations.</li> </ul>	
2.3 Turn Over Tax (ToT)			
2.3.1 ToT on Goods sold locally	The tax is levied on the gross receipts of goods supplied locally	<ul style="list-style-type: none"> <li>• Transfer of a dwelling used for a minimum of two years;</li> <li>• The supply of prescription drugs specified in directive issued by the relevant agency, and the rendering of medical services;</li> <li>• The supply of goods and rendering of services in the form of humanitarian aid</li> <li>• The supply of electricity, kerosene, and water;</li> <li>• The supply of goods or services by workshop employing disabled individuals if more than 60% of the employees are disabled; and</li> <li>• The supply of books</li> </ul>	Two percent (2%) on annual turnover of the goods supplier.

2.3.2 ToT on Services rendered locally	The tax is levied on the services rendered locally	<ul style="list-style-type: none"> <li>• The lease of a dwelling;</li> <li>• Rendering of financial services</li> <li>• The supply of national currency (except for that used for numismatic purposes) and securities;</li> <li>• The rendering by religious organizations of religious or other related services;</li> <li>• The rendering of educational services provided by educational institutions, as well as child care services for children at pre-school institutions;</li> <li>• The provision of transport; and</li> <li>• Permits and license fees</li> </ul>	<p>(a) Two percent (2%) on Contractors, grain mills, tractors and combine-harvesters.</p> <p>(b) Ten percent (10%) on other services</p>								
3. Tax on International Trade											
3.1 Taxes on imports											
3.1.1 Customs Duty Tariff Regulation 80/2002.	The customs tariff applies to all imports. Items are classified according to a schedule of 97 chapters, based on the Harmonized System of Tariffs Classification Code.	Diplomatic and consular missions, personal effects, grants and gifts to Ethiopia, firefighting instruments and appliances, trade samples, defense and public security equipment, materials and equipment for the handicapped, and sheath contraceptives are exempted. Exemptions and concessions are granted to certain organizations and items.	<p>Ad valorem duty on imports consisting of seven rates, ranging from 0 to 35 percent, as follows:</p> <table border="1" data-bbox="948 1360 1458 1730"> <thead> <tr> <th style="text-align: left;">Imports</th> <th style="text-align: right;">Tax rate (%)</th> </tr> </thead> <tbody> <tr> <td>Raw materials, capital goods, pharmaceuticals, and chemicals</td> <td style="text-align: right;">0-20</td> </tr> <tr> <td>Durable and nondurable consumer goods</td> <td style="text-align: right;">20-35</td> </tr> <tr> <td>Luxuries and goods that can be produced locally</td> <td style="text-align: right;">30-35</td> </tr> </tbody> </table>	Imports	Tax rate (%)	Raw materials, capital goods, pharmaceuticals, and chemicals	0-20	Durable and nondurable consumer goods	20-35	Luxuries and goods that can be produced locally	30-35
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Luxuries and goods that can be produced locally	30-35										
3.1.2 Import excise taxes	Levied on selected imported goods.	None.	As specified in (2.1)								

3.1.3 Import Value Added Tax	Sales tax levied on imports; the basis for taxation is the c.i.f. value plus the customs duty and excise tax paid.	See items in (2.2) for exemptions.	As specified in (2.2)
3.2 Taxes on exports	<p>All export duties and taxes are abolished.</p> <p>A duty draw back and duty free import schemes have been introduced. Under the duty drawback scheme, goods produced for export, re-exporting or raw materials imported upon payment of duties are subject to refund of the duty paid. Ninety-five percent of the duty drawn back is refunded for raw materials or commodities if re-exported and 100 percent if exported after being processed or used for packing or containing. Under the duty free import scheme, persons or organizations wholly engaged for supplying their products to foreign markets are allowed a duty free purchase of local or imported raw material for their production, and the product should be exported within one year of the purchase of such raw materials.</p>		
4. Other taxes			
4.1 Stamp duties  Decree No. 26/1975, as amended by Proclamation No.110/1998.	Obligatory use of stamped paper for many legal documents, such as contracts or papers in court proceedings; requirement that stamps be affixed to other documents, such as property titles, power of attorney, notary acts, etc.	Stamp duties are not levied on documents where the Ethiopian government, foreign embassies, consulates, etc., would be the party subject to duty.	Varies according to the type document and value of transaction.
4.2 Withholding tax: Current payments of income tax at time goods are imported. Proclamation 227/2001	Tax collected at the time of import of goods for commercial use, where the collected tax is treated as tax withhold that is creditable against the tax payer.		Three percent

4.3 Income tax: Withholding of income tax on payments. Proclamation 227/2001	Category "A" taxpayers, government agencies, private nonprofit institution and NGOs withhold income tax on payments made to persons within categories specified, in the regulation No.75/2001.		Two Percent
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