

Ethiopia (general business)

Overview

- Ethiopia is the oldest independent country in Africa and is among the most stable countries in that region
- It is a federal country divided into nine national regional states and two chartered cities
- Its economy revolves around agriculture; it is one of Africa's leading coffee producers
- The IMF ranks it among the five fastest growing economies in the world
- In 2017/18 the economy grew at a rate of 7.7%
- The annual inflation rate in Ethiopia rose to 10.9% in January 2019 from 10.4% in the previous month. It is the highest inflation rate since October. Inflation Rate in Ethiopia averaged 16.15% from 2006 until 2019, reaching an all-time high of 64.20% in July of 2008 and a record low of -4.10% in September of 2009.
- According to Ethiopian Investment Commission, in the first six months of the 2017/18, more than USD 2.2 billion investment capital came to Ethiopia in the form FDI, showing a 22% increment from last year.
- Major investors include China, Turkey and India
- Sectors attracting the most FDI include Agriculture (particularly horticulture) and leather goods

Membership of regional and international treaties and organisations

- Ethiopia is a member of:
 - » The African Union
 - » The Common Market for Eastern and Southern Africa
 - » The United Nations
- It is a World Trade Organisation observer

Ethiopian Investment Commission

- Is an autonomous government institution accountable to the country's Investment Board
- Has recently been restructured with a view to becoming more effective at attracting FDI and improving the services provided to investors
- Its functions include:
 - » Advising the government on policy measures needed to create an attractive investment climate for investors
 - » Promoting the country's investment opportunities and conditions to foreign and domestic investors
 - » Providing investors with information on sector-specific business opportunities, business incorporation procedures and related regulations, as well as employment regulations
 - » Issuing investment permits, business licences and construction permits
 - » Registers all enterprises and technology transfer agreements

Legislation regulating formation of business entities in Ethiopia

- Ethiopian Commercial Code of 1960
- Ethiopian Civil Code 1960
- Investment Proclamation 2012 (as amended in 2014)
- Investment Regulation 2013
- Public Enterprises Proclamation 1992
- Cooperative Societies Proclamation 2003
- Commercial Registration and Business Licensing Proclamation 2010

Business Entities

- Sole proprietorship
- Incorporated Partnerships
- Share companies
- Private limited companies
- Branches of foreign companies
- Public enterprises
- Cooperative societies

Tax

- Corporate income tax- 30%
- Capital gains tax - 15% for immovable assets and 30% for shares and bonds
- Withholding tax levied on imported goods:
 - » 3% on the sum of cost, insurance and freight
 - » 2% in the case of business entities, non-governmental organisations, private non-profit institutions and government agencies
- Withholding tax on:
 - » dividends 10%
 - » interest 5%
 - » royalties 5%
- VAT- 15%
- Tax on interest- 5%
- Excise tax- excise tax is assessed on 18 classes of goods, ranging from 10% for textiles and electronics to 100% for alcoholic beverages

Exchange Controls

- Ethiopia operates a floating exchange rate
- The National Bank of Ethiopia (NBE) is responsible for foreign exchange control
- All outgoing and some incoming foreign currencies are regulated
- Foreign investors must obtain NBE approval in order to open foreign exchange accounts in commercial banks in Ethiopia
- Foreign investors have the right to make the following remittances out of Ethiopia in convertible foreign currency:
 - » Profits and dividends accruing from investments
 - » Principals and interest payments on external loans
 - » Payments related to technology agreements
- It has a commodity exchange, currently it does not have a stock exchange

Choice of law and dispute resolution

- A judgment obtained in a foreign jurisdiction can only be enforced in Ethiopia if a written application to this effect is set up.
- Ethiopia is not a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958
- It is a signatory to the Multilateral Investment Guarantee Agency
- It has signed but not ratified the International Centre for the Settlement of Investment Disputes
- An award by an international tribunal may not always be enforced in Ethiopia

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