

**COUNCIL OF MINISTERS  
REGULATIONS NO.84/2003**

**COUNCIL OF MINISTERS REGULATIONS ON INVESTMENT INCENTIVES AND  
INVESTMENT AREAS RESERVED FOR DOMESTIC INVESTORS**

These regulations are issued by the Council of Ministers pursuant to Article 5 of the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 4/1995 (as amended) and Articles 6 and 9 of the Re-enactment of Investment Proclamation No.280/2002.

**Part One  
General**

1. Short Title

These Regulations may be cited as the “Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Ministers Regulations No.84/2003”.

2. Definitions

Unless the context requires otherwise, in these Regulations:

1. “Authority” means the Ethiopian Investment Authority;
2. “Board” means the Federal Investment Board;
3. “Capital Goods” means machinery, equipment and accessories, needed to produce goods or render services;
4. “Customs Duty” includes taxes levied on imported goods;
5. “Income Tax” means tax levied on profits from business and categorized as the revenue of the Federal Government, Regional Governments or as their joint revenue;
6. “Proclamation” means Investment Proclamation No. 280/2002;
7. The definitions provided for under Article 2 of the Proclamation shall apply to these Regulations.

3. Investment Areas Reserved for Domestic Investors

Areas of investment listed in the schedule attached to these Regulations are exclusively reserved for domestic investors.

**Part Two  
Exemption from Income Tax**

4. Investment Activities Eligible for Income Tax Exemption

1. Where an investor engaged in manufacturing or agro-industrial activities or the production of agricultural products to be determined by directives to be issued by the Board;

- a) exports at least 50% (fifty percent) of his products, or
- b) supplies at least 75% (seventy five percent) of his product to an exporter as a production input;

he shall be eligible for income tax exemption for 5 years.

2. Notwithstanding the provisions of sub articles 1 of this Article the Board may, under special circumstances, grant income tax exemption for a period not longer than 7 years. However, the granting of income tax exemption for a period longer than 7 years requires the decision of the Council of Ministers.

3. An investor engaged in activities mentioned under sub article 1 of this Article who exports less than 50% (fifty percent) of his products or supplies his products only to the domestic market shall be eligible for income tax exemption for 2 years.

4. Notwithstanding the provision of sub article 3 of this Article, the Board may, under special circumstances, grant income tax exemption for a period not longer than 5 years.

5. Notwithstanding the provision of sub article 3 of this Article, directives issued by the Board may prohibit exemption from income tax with respect to an investor who supplies his products only to the domestic market.

6. Notwithstanding the provisions of sub articles 1 and 3 of this Article, an investor who exports hides and skins after processing up to crust level may not be entitled to incentives provided therewith.

7. Notwithstanding the foregoing provisions of this Article, where the investment is in relatively under developed regions such as Gambella, Benishangul and Gumz, South Omo, in Afar Zones to be determined by the Board, Somali and other regions to be determined by the Board, the investor shall be eligible for income tax exemption for an additional 1 year period.

8. The income tax exemption under the foregoing provisions of this Article shall be effective when the investor provides the information for the relevant revenue collecting institution and its validity is ascertained for each income tax period.

#### 5. Income Tax Exemption for Expansion or Upgrading of an Existing Enterprise

An investor engaged in activities mentioned under sub article 1 of Article 4 who exports at least 50% (fifty percent) of his products and increases, in value, his production by 25% shall be eligible for income tax exemption for 2 years.

#### 6. Commencement of Period of Exemption from Income Tax

The period of exemption from income tax shall begin from the date of commencement of production or the date of provision of services, as the case may be.

#### 7. Carry Forward of Losses

An investor who has incurred loss within the period of income tax exemption shall be allowed to carry forward his loss for half of the income tax exemption period, after the expiry of such period.

**Part Three**  
**Exemptions from the Payment of Customs Duty**

8. General

1. An investor shall be allowed to import duty free capital goods and construction materials necessary for the establishment of a new enterprise or for the expansion or upgrading of an existing enterprise.
2. In addition, an investor granted with a customs duty exemption privilege shall be allowed to import duty free capital goods necessary for his enterprise.
3. Notwithstanding the provisions of sub Articles 1 and 2 of this Article the Board may, by its directives, bar the duty-free importation of capital goods and construction materials where it finds that they are locally produced with competitive price, quality and quantity.
4. An investor eligible for duty-free importation of capital goods pursuant to these Regulations shall be given the same privilege for spare parts whose value is not greater than 15% (fifteen percent) of the total value of the capital goods to be imported.

9. Conditions for Importing Vehicles Duty Free

The Board shall determine, by its directives, conditions for importing vehicles duty free depending on the type and nature of the project. However, any investor may import duty free:

- a. Ambulances for employees that are needed for emergency cases.
- b. Buses for tour operation services.

10. Areas of Investment Not Eligible for Customs duty exemption

1. Notwithstanding the provision of Article 8 of these Regulations, the following areas of investment are not eligible for exemption from the payment of customs duty.
  - a. Hotels (excluding star-designated hotels), motels, tea rooms, coffee shops, bars, night clubs and restaurants which do not have international standards;
  - b. wholesale, retail and import trade;
  - c. maintenance services;
  - d. commercial road transport and car-hire services;
  - e. postal and courier services;
  - f. real estate development;
  - g. business and management consultancy services;
  - h. advertisement services;
  - i. cinematography and similar activities;
  - j. radio and television broadcasting services;
  - k. theatre and cinema hall operations;
  - l. customs clearance services;
  - m. laundry services;
  - n. travel agency, trade auxiliary and ticket-selling services;
  - o. lottery and games of a similar nature;

2. Notwithstanding the provision of sub-article 1 of this Article, the Board may, where it finds appropriate, issue directives providing for additional areas of investment which may not be eligible for exemption from the payment of customs duty.

#### 11. Transfer of Capital Goods Imported Free of Customs Duty

Capital goods imported free of customs duty shall not be transferred to third parties not entitled to similar duty free privileges, unless prior payment of the customs duty is effected thereon.

### **Part Four Miscellaneous Provisions**

#### 12. Penalty

Any investor who acts contrary to Article 11 of these Regulations shall be punishable in accordance with Article 73 of the Re-establishment and Modernization of Customs Authority Proclamation No.60/1997.

#### 13. Repealed and Non-effective Regulations and Directives

1. Investment Incentives Council of Ministers Regulations No. 7/1996 (as amended) and Investment Areas Reserved for Domestic Investors Council of Ministers Regulations No.35/1998 are hereby repealed.

2. Any regulations or directives inconsistent with these Regulations shall not have effect with respect to matters provided for in these Regulations.

#### 14. Transitory Provision

1. Notwithstanding the provision of Article 13 of these Regulations, incentives granted pursuant to the Investment Incentives Council of Ministers Regulations No.7/1996 (as amended) and the directives issued thereunder, shall continue to take effect.

2. Where an investor granted with incentives under Regulations No.7/1996 (as amended) opts instead to be a beneficiary of incentives provided for in these regulations, he may notify the appropriate investment organ and be entitled thereby.

#### 15. Effective Date

These regulations shall come into force on the date of publication in the Federal Negarit Gazeta.

Done at Addis Ababa, this 7th day of February, 2003

Meles Zenawi, Prime Minister,  
Federal Democratic  
Republic of Ethiopia

### **Schedule**

Areas of Investment Reserved for Domestic Investors

1. The following areas are exclusively reserved for domestic investors:

1. Retail trade and brokerage;
2. Wholesale trade (excluding supply of petroleum and its by-products as well as wholesale by foreign investors of their products locally produced);
3. Import trade (excluding LPG, bitumen and upon approval from the Council of Ministers, material inputs for export products);
4. Export trade of raw coffee, chat, oil seeds, pulses, hides and skins bought from the market and live sheep, goats and cattle not raised or fattened by the investor;
5. Construction companies excluding those designated as grade 1;
6. Tanning of hides and skins up to crust level;
7. Hotels (excluding star-designated hotels), motels, pensions, tea rooms, coffee shops, bars, night clubs and restaurants excluding international and specialized restaurants;
8. Travel agency, trade auxiliary and ticket selling services;
9. Car-hire and taxi-cabs transport services;
10. Commercial road transport and inland water transport services;
11. Bakery products and pastries for the domestic market;
12. Grinding mills;
13. Barber shops, beauty saloons, and provision of smith workshops and tailoring services except by garment factories;
14. Building maintenance and repair and maintenance of vehicles;
15. Saw milling and timber making;
16. Customs clearance services;
17. Museums, theaters and cinema hall operations;
18. Printing industries.

2. Notwithstanding the provision of paragraph 1 of this schedule, the following areas of investment are exclusively reserved for Ethiopian nationals:

1. Banking, insurance and micro credit and saving services;
2. Forwarding and shipping agency services;
3. Broadcasting services; and
4. Air transport services using aircraft with a seating capacity of up to 20 passengers.