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## Individual Business Owners now must Pay Withholding Tax

The Ministry of Finance (MoF) has amended a 16-year-old withholding tax regulation to ensure that individual business people deduct withholding tax when they make a purchase. The Directive issued on March 29 mandated that businesses licenses registered by individual business owners be included in the withholding tax collection scheme.

Previously, legal personalities or businesses like share companies or PLCs were responsible for deducting withholding tax. The current amendment signed by Ah-

med Shide, Minister of Finance, added businesses that previously were not responsible for deducting withholding tax.

The individual businesses are licensed mostly by their own name or affiliates. They have at least 10 million birr in transactions over three years. There are, also, several businesses that have over 10 million birr in transactions every year, but they are not a PLC or holder of other business licenses. Instead, they are registered as individual businesses under organizations like the Addis Ababa Trade Bureau.

The federal revenue collection body, which is the Ministry of Revenue, is the responsible body for following businesses that are legal personalities like share companies, unions or PLCs and possibly governmental and non-governmental organs that are already deducting withholding tax.

The amendment will be applicable as of Tuesday April 9 and regional bureaus and the two city administrations are responsible for identifying which businesses are effected by the new rule. [...]

*Source: [Capital, April 8, 2019]*



## Ethiopia, Siemens to address energy, infrastructure challenges

The Government of Ethiopia has signed a Memorandum of Understanding (MoU) with Siemens to address the country's energy and infrastructure sectors. The memorandum was signed between the Ethiopian Investment Commission (EIC) and Siemens on April 4, 2019 to support the government's objective of becoming a low middle

income country by 2025. Siemens, the largest industrial manufacturing company in Europe, is a German conglomerate company which annually generates revenue of EUR 130 billion. The primary goal of this agreement is to commit to a long-term partnership between Siemens and the people of Ethiopia to develop fast-track solutions that

will enable the government to stabilize and expand existing grid infrastructure, explore solutions for industrial parks and co-develop micro-grid solutions for remote villages.

Siemens has established a permanent office in 2017 and has been present in Ethiopia since 1927. [...]

Source: [The Reporter, April 6, 2019]

## Ban on Alcohol Advert to Take Effect

The proclamation that seeks to ban any broadcast media advertisement on alcoholic drinks, from 6:00 AM in the morning to 9:00 PM in the evening, will start to take effect starting next month, May 29, 2019. It is to be recalled that back in February, 2019, the parliament approved a bill, entitled the

"Food and Medicine Administration Proclamation" mainly restricting smoking in all indoor workplaces, as well as public places and public transportation. The bill also banned alcohol promotion on broadcasting media outlets.

The bill also puts an age cap on alcohol drinking, where it

is made illegal to sell any alcoholic drink to anyone under the age of 21.

Source: [The Reporter, April 6, 2019]



## Intellectual Property Rights Permitted for Bank Loan Collateral

Assuming it is ratified by the House of People's Representatives, patent rights could soon be used as collateral for bank loans. A draft proclamation named "Movable Property Security Rights" is proposing this become a reality. This would include patents and products that come from them. It can

include patents for physical products or ideas such as would fall under intellectual property law. The Proclamation is part of the financial inclusion strategy (NFIS), launched in 2017 with the support of the World Bank, to increase the percentage of adults with a transaction account from 22% in 2014 to

60% in 2020. The International Finance Corporation (IFC) financed the proclamation drafting process which is based on United Nations Commission on International Trade Law (UNCITRAL). Currently immovable property and business institutions are used as collateral for loans. [...]

Source: [Capital, April 1, 2019]

## Morocco's Fertilizer Giant to Take Over Yayu Fertilizer Complex

The Government of Ethiopia has taken the decision on the much-delayed Yayu Fertilizer Project, pinching it away from the maligned state-owned military-industrial conglomerate, the Metals and Engineering Corporation (MetEC), and awarding it to the Moroccan fertilizer and phosphate maker, OCP.

According to the government, Yayu plant construction was terminated since last year after MetEC was un-



able to complete the construction despite repeated delays of more than seven years. It was also announced that MetEC only man-

aged to accomplish 46 percent of the project which was launched in 2011 with an initial investment cost of 11 billion birr (USD 400 million). After seven years, MetEC has since asked for an additional 20 billion birr to complete the project. The Yayu complex is under construction on a 54,000 sq. m plot of land and is designed to manufacture 300,000 tons of Urea, [...] Source: [The Reporter, April 13, 2019]

## Ethiopian Government Initiates Modalities to Privatize Sugar Projects

The Ministry of Finance has released initial documentation for the purpose of inviting local and international investors to express their interests in relation to the privatization of scores of sugar factories, both already commissioned and still under construction. Eyob Telakign (PhD), State Minister of Finance, announced that both the Ministry and the Ethio-

pian Sugar Corporation have conducted a series of asset valuations and due diligence; and it is in the process of finalizing the task. Hence, the Request for Information (RFI) has been issued. The RFI encompasses some 15 preliminary requests for potential investors. However, the questions or requests are open-ended and provides additional room

for investors to provide further information they might have interest in. The purpose of the RFI is solely for the expression of interest and information not necessarily related to transactions. From the provided information, the government would have the idea on how many investors prefer to buy the whole assets of the Corporation, or in a partial JV [...]

Source: [The Reporter, April 13, 2019]

## Council of Ministers to endorse Mining Licenses

The Council of Ministers is scheduled to approve two mining licenses presented by the Ministry of Mines and Petroleum today.

The Ministry has presented a draft gold mining license to be granted to a Canadian company called Tigray Resources. Tigray Resources has been prospecting for gold and base

metals in the Tigray Regional State.



The company has requested the

Ministry of Mines and Petroleum to be given a mining license that would enable it to extract gold and bronze in its license area. An indigenous mining company called AGODIO PLC, which has been prospecting for iron ore in the Amhara Regional State, has also requested for exploration license. [...]

Source: [The Reporter, April 13, 2019]



## Tax Breaks for Agriculture

Ethiopia imports over 5,900 items annually, these include: finished goods, raw materials for light industries, fresh food items for processing, and packed agricultural products. Ethiopia, which primarily exports agricultural products, currently has exported 220 items. Imports of food items have significantly in-

creased. Eighty percent of Ethiopia's labor force and foreign currency earnings come from agricultural exports. The government says agricultural development and achievement will lead to industrialization. This is called Agricultural Development Led Industrialization (ADLI).

The government says ef-

orts are being exerted to scale up the utilization of improved seeds but only 15 percent of farmers are now using such seeds in Ethiopia, but, the demand for improved seeds has recently risen from eight million to 18 million quintals. At the same time less than 30 percent of farmers use fertilizer.

Source: [Capital, April 1, 2019]

## EEP exits Electric Power Generation Sector

The Ethiopian Electric Power (EEP) has made it public this week that it is formally ceasing its power generation operation and will focus on the management of the existing plants, transmissions lines and substations. Abraham Belay (PhD), CEO of EEP, told employees during a meeting

that in accordance to the ongoing reform activities the organization has initiated, EEP would no longer be involved in developing power generating plants. It will rather concentrate on managing the operations of the plants and power transmission lines.

According to the CEO, the organizational reform measures undertaken at the EEP required overhauling where financial and human resources were found to be mismanaged. Hence, the state owned EEP will no longer be involved in power generation activities. [...] Source: [The Reporter, April 6, 2019]

## Ethiopia, Chinese Firm to Sign Power Deal worth 1.1 Bln USD

Prime Minister Abiy is set to sign a Public-Private-Partnership deal worth 1.1 billion USD with Chinese firm in bid to improve electric supply in Ethiopia.

The PM will head to China to attend the three-day long Second Belt and Road Summit on the week of April 22,

2019. As part of his trip, he is expected to sign a deal with a Chinese firm which will allow them to invest on electric transmission and substation development project. The deal will be signed with State Grid Corp—which also owns and operates a growing portfolio of assets around the

world..Government has set aside seventeen—three roads and fourteen power supply—projects that will be carried out in partnership with the private sector. The projects will need as much as 7 billion US Dollars, said State Minister of Finance Teshome Tafesse.

[...]

Source: [The Daily Monitor, April 23, 2019]



# Korea's EXIM Bank Finances Ethiopia's Electricity Sector



Export-Import Bank of Korea has agreed to finance Ethiopia's electricity grid power transmission project..

The Bank and Ministry of Finance (MOF) signed two concessional loan deals worth 358 million USD on April 22, 2019. Major deal—264 million USD— will be invested in southern extension of national electricity grid power transmission project.. The other 94 million USD deal will boost Ethiopia's water irrigation development and rural development project according to the agreement.

The Ministry stated the first project aims to supply project in the South Western part of Ethiopia, providing stable power to the Omo Kuraz sugar factory and for the Arba Minch Industrial Park among others. [...]

Source: [Daily Monitor, April 23, 2019]

## Chinese Firm wins USD 95 mln contract to complete Tana Beles-I Sugar Plant

The Ethiopian Sugar Development Corporation (ESDC) has awarded a USD 95 million contract for China CAMC Engineering Co. Ltd (CAMCE) – a Chinese construction firm - to undertake the construction of the unfinished Tana Beles-I sugar plant project, The Reporter has learnt.

CAMCE is currently building the

Wolkayit Sugar Plant, in the Tigray Regional State, in Northern Ethiopia. The decision to award the project comes a week after the Revenue, Budget and Finance Affairs Standing Committee of the House of People's Representatives (HPR) summoned officials of the Corporation and demanded an ex-

planation regarding the long-overdue sugar projects, mainly focusing on Kuraz-1, Kuraz -2 and Kuraz-5. In a related news, another Chinese company named TGIS, which is currently building Omo Kuraz V sugar plant, has shown interest in Kuraz I project and to that effect it has submitted a technical and financial proposal to the Corporation [...]

Source: [The Reporter, April 6, 2019]

## VAT Refund Turnaround time reduced, Taxpaying Simplified in New Policy

The Ministry of Revenue (MoR), which has been undergoing extensive reform, has changed its policy to be more in line with the recommendations from international organizations, in hopes of expanding tax collection and improving the business climate. The Ministry amended or compiled eight different directives (from 142 to 149). One involves the Value Added Tax (vat) refund.



The Directive that is getting the most attention is the Vat refund which was amended with the goal

of accelerating business activity and the tax refund directive to reduce the settlement period. The name of the directive was changed from 'vat refund directive' to 'risk based refund directive', showing that the new priority is reducing risk and using a better assessment methodology. High risk refund claims will be settled after a comprehensive audit but concluded with the required period. [...]

Source: [Capital, April 8, 2019]

## Upcoming Events

### **“International Trade Show on Agriculture, Food Processing & Packaging and Food & Hospitality”**

Dates: 09-11 May 2019 | Venue: Millennium Hall, Addis Ababa

Agrofood Ethiopia is an international trade fair covering the entire value chain from field to fork and consists of the following parts: agro Ethiopia. It will gather international and Ethiopian industry leaders, investors, experts, academia, and journalists to discuss latest technologies and conclude business.

### **Plastprintpack Ethiopia**

Dates: 09– 11 May 2019 | Venue: Millennium Hall, Addis Ababa

“International Trade Show on Plastics & Printing & Packaging” plastprintpack Ethiopia will display products like plastics and composites, raw materials and auxiliaries, machinery and equipment for the plastics and rubber industries, packaging machines and equipment, printing & publishing solutions etc. The 3rd plastprintpack Ethiopia 2019 has lots of news for 2019.



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