

PROCLAMATION No. \_\_\_\_/2025

**PROCLAMATION TO AMEND FEDERAL INCOME TAX PROCLAMATION**

**WHEREAS**, it is believed that reforms to the income tax system can support revenue-mobilization reform and economic development;

**WHEREAS**, to achieve said objectives it has become necessary to revise certain provisions of the existing income tax proclamation in order to ensure fairness in the tax system by updating and adjusting tax rates to reflect current economic realities, broadening the tax base, enhancing the efficient administration of tax incentives, and safeguarding against aggressive tax avoidance and evasion;

**WHEREAS**, it has become necessary to limit the use of cash transactions that have facilitated tax evasion and to amend certain provisions so as to combat other tax avoidance practices and to align the tax system with the fundamental principles of taxation;

**NOW, THEREFORE**, in accordance with Article 55(1) and (11) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

**1. Short Title**

This Proclamation may be cited as the “Income Tax (Amendment) Proclamation No \_\_\_\_/2025.”

**2. Amendment**

The Federal Income Tax Proclamation No. 979/2016 is hereby amended as follows:

**1. The following new Sub-Articles (28), (29) and (30) are added after Article 2 (27) of the Proclamation:**

28/ “**Tax on Annual Gross Sales**” means a simplified tax regime where small businesses under Article 49 pay a tax based on annual gross receipts.

29/ “**Income from Digital Content Creation**” means an income obtained by a person or body in cash or in kind from creating, distributing or selling digital media or products through video sharing services, social media platforms, voice transmission podcast services and live transmission platforms. It includes the following:



- a) advertisements and sponsorships;
- b) product name agreements and supports;
- c) affiliate marketing and product classifications;
- d) contributions from sponsors, cash gifts or crowd funding;
- e) subscription fees
- f) sales of digital or physical goods;
- g) goods or services obtained in lieu of advertisements; and
- h) other payments to related services.

30/ **“Digital Service”** means a service that involves digital content, as shall be defined by a regulation to be issued by the Council of Ministers.

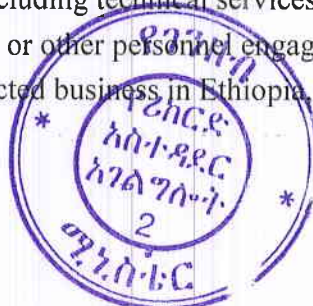
**2. Article 3 of the Proclamation is hereby deleted and replaced by the following new Article 3:**

**“3. Categories of Taxpayers**

1. For the purposes of this Proclamation there shall be the following categories of Tax payers:
  - a) Category “A” taxpayers:
    - 1) A body;
    - 2) Any other person whose annual turnover exceeds Birr 2,000,000 (two million birr)
  - b) Category “B” tax payers, taxpayers excluding bodies whose annual turnover is less than Birr 2,000,000 (two million Birr)”
2. The Authority may, on the basis of tax declarations filed by a taxpayer or any other information available to the Authority, determine whether the taxpayer’s category has changed for a tax year.
3. The Minister shall, after ascertaining by economic analysis, change at least within five years the annual gross income thresholds in sub article (1) of this Article for the classification of a taxpayer as a category ‘A’ taxpayer or category “B” taxpayer.

**3. Sub-Articles 2(c) and 3 of Article 4 of the Proclamation are hereby deleted and replaced by the following new Sub-Articles 2(c) and 3:**

“2 (c) the provision of services, including technical services and consultancy services, by a person through employees or other personnel engaged for that purpose, but only where the services or connected business in Ethiopia, continue for a period of, or



periods exceeding in the aggregate, ninety-one days in a tax year, or in any one-year period.

- 3/ A building site, or a construction, assembly, or installation project, or supervisory activities connected with such site or project shall be a permanent establishment only when the site, project, or activities continue for more than ninety-one days in a tax year, or in any one-year period.”

**4. The following new sub-articles 6 and 7 are added after sub-article (5) of Article 4:**

“6/ For the purpose of this Article, “technical services” means any service of a technical, managerial or consultancy nature, which includes;

- a) accounting;
- b) auditing;
- c) economic and investment;
- d) financial;
- e) legal;
- f) management,
- g) engineering;
- h) architectural;
- i) surveying;
- j) information technology;
- k) social affairs;

or other similar professional service is performed.

- 7/ Taxpayers engaged in professions listed under Sub-Article (6) of this Article shall, irrespective of their annual turnover, maintain book of records in accordance with Article 86 of this Proclamation.”

**5. The following new sub-article 6 is added after sub-article 5 of article 6 of the Proclamation:**

“(6) Income derived by a person who is not a resident of Ethiopia from the provision of digital services in Ethiopia shall be treated as income sourced in Ethiopia.”

**6. The following new sub-Articles (3), (4), (5) and (6) are added after Article 8 (2) of the Proclamation:**

- 3/ Notwithstanding sub-Article 2 of this Article, where an individual has more than one;

- a) employer; or





- b) a source of income under either schedule A, B, or C, not including a source of income from a business taxed under Article 49;  
the Tax Authority designated with taxing the income at the federal level shall aggregate the sources of income at all levels and tax the combined income as one.
- 4/ After assessing the tax in accordance with sub-article 4 of this Article if it is proved that tax has been paid on part of the income to another tax jurisdiction the tax paid shall be credited against the tax assessed.
- 5/ If sub-Article 3 applies to an employee, the employment income tax paid by the employee shall not be a final tax on the employment income, and the employee shall discharge its obligation under Article 83(2) and file an annual declaration.
- 6/ The aggregated income under sub-Article 6 shall be taxed at the federal level if the taxpayer is both regional and federal taxpayer and the tax shall be assessed by applying the annual rate applicable to an employee under Article 11(2) of this Proclamation and deducting the tax paid in the respective region.
7. **Article 11 of the Proclamation is hereby deleted and replaced by the following new Article 11:**

#### **“11. Employment Income Tax Rates**

The monthly rate of employment income tax is:

<b>Monthly Income from Employment ( in Birr)</b>	<b>Employment Income Tax Rate</b>
0 -2,000	0%
2,001-4,000	15%
4,001-7,000	20%
7,001-10,000	25%
10,001 -14,000	30%
Over 14,000	35%



**8. The Following new sub-articles (5), (6) and (7) are added after Article 12 of the Proclamation;**

“5/ Subject to the provisions of Article 93 the tax authority in cooperation with the Ministry of Foreign Affairs for tax collection purposes shall establish a system which records the list and addresses of employees of organizations mentioned under Article 93(1).

6/ The Ministry of Foreign Affairs shall have responsibility to collect information about the employees of foreign embassies in Ethiopia and international organization and provide such information to the tax authority in the condition and within time period to be specified by the system to be developed in accordance with sub article 5 of this Article.

7/ Government agencies which are responsible for issuance and renewal of work permits to foreign employees shall be responsible to inform the Tax Authority as soon as they issue or renew work permits. The information to be provided shall contain the name of the employee, the address in Ethiopia, the name of the employer, the type of the work permit, duration of stay, the amount of salary and fringe benefits as well as any other relevant information that the Tax Authority requires.

**9. Sub-articles (1) and (2) of Article 14 of the Proclamation are deleted and replaced by the following new sub-articles (1) and (2)**

**14. Rates of Rental Income Tax**

1/ The rates of rental income tax on bodies shall be 30% (thirty percent).

2/ The rates of rental income tax of individuals shall be the following

Annual Taxable Rental Income (inBirr)	The rates of rental Income tax
0-24,000	0%
24,001-48,000	15%
48,001-84,000	20%
84,001-120,000	25%
120,001-168,000	30%
Over 168,000	35%

**10. The following new sub article 8 is added after Sub article 7 of Article 15:-**





“8. For the purpose of this Article **“Rental Income”** means an income from rental of any building, residence and warehouse, but does not include the rental income from industrial establishments constructed by a developer of industrial parks, buildings or green house leased under capital goods lease proclamation and spaces in a warehouse rented for a fee.”

11. Sub-Articles (1) and (2) of Article 19 of the Proclamation are hereby deleted and replaced by the following new Sub-Articles (1) and (2):

**“19. The Rates of business Income Tax**

- 1/ The rate of business income tax applicable to a body shall be 30%.
- 2/ The rate of business income tax applicable on individuals shall be the following:

<b>Taxable Business Income (per year) Birr</b>	<b>Business Income Tax Rate</b>
0-24,000	0%
24,001-48,000	15%
48,001-84,000	20%
84,001-120,000	25%
120,001-168,000	30%
Over 168,000	35%

- 3/ Notwithstanding the other provisions of this Article, a limited liability partnership and a legally registered collective investment fund, irrespective of the legal form under which they are established, shall not be subject to corporate income tax,. However, a limited liability partnership shall withhold tax from income distributed to its members in accordance with Schedule “C” under Sub-Article (2) of this Article and remit such tax to the tax authority. A collective investment scheme shall withhold dividend tax on profits distributed to its shareholders in accordance with Article 57 of this Proclamation. The detailed implementation of this Sub-article shall be governed by a regulation to be issued by the Council of Ministers.
- 4/ Subject to Sub-Article (3) of this Article, all other obligations set forth under this Proclamation shall apply to a collective investment fund and a limited liability partnership.



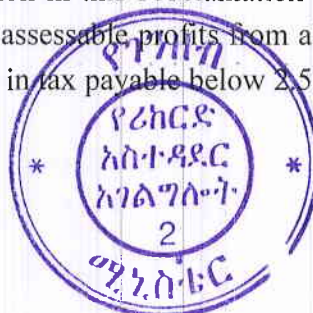
12. The following new sub-articles 22 and 23 are added after Article 19 of the Proclamation. Due to the additions of new Articles 22 and 23, Articles 22 and the following of the Proclamation are renumbered consecutively beginning from Article 24.

**“22. Income from Digital Content Creation**

- 1/ Income from digital content creation shall be considered as business income when the following are met:
  - a) carried out regularly with the intention to make profit;
  - b) the creator is operating in a professional or organized manner;
  - c) maintains books of records or has business expenditures.
- 2/ If the conditions under sub-article (1) of this Article are not fulfilled the income shall be classified as other income and taxed in accordance with Schedule “D” of this Proclamation, the manner of its application shall be determined through a regulation to be issued by the Council of Ministers. .
- 3/ The Tax Authority shall issue a directive which prescribes the digital content creation as business activity; taking into consideration particularly the income level, the type of transactions, the type of content and the purpose of the business activity.
- 4/ Any online platform which facilitates payments for digital content creators that are residents in Ethiopia and whose annual turnover exceeds the threshold to be determined by a Directive to be issued by the Ministry shall report to the Tax Authority the amount of gross income each creator has received.
- 5/ An income from digital content, irrespective of whether such income has been reported by the online platform or not, shall be filed in the annual tax declaration.
- 6/ Digital content creator who has an income above the threshold to be determined in accordance with sub-article 4 shall have Tax Payer Identification number and fulfill other relevant tax payer obligations.

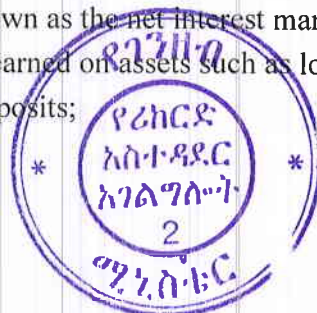
**23. Minimum Alternative Tax**

- 1/ Notwithstanding any provision in this Proclamation or any other law, where in a year of assessment the total assessable profits from all sources of business income of a body or a person results in tax payable below 2.5% of the turnover in the same



tax year the taxpayer shall pay a minimum tax at a rate determined under sub-Article 2;

- 2/ The minimum tax under this Article shall be tax at a rate of:
  - a) 2.5% of the turnover of a body or person; or
  - b) 2.5% of net banking income, in the case of banks;
  - c) 2.5% of the gross premium income for life and non-life insurance business, in the case of an insurance company
  - d) 2.5% of the commission amount, in the case of a price-regulated company,
- 3/ The minimum tax payable under this Article shall be reduced by business income tax under Article 18 paid in the tax year.
- 4/ This Article shall not apply to a taxpayer under the total gross revenue tax regime set out in Article 49 of this Proclamation.
- 5/ A taxpayer shall be allowed a tax credit for tax paid under this Article and such credit shall be applied;
  - a) up to 5 (five) years;
  - b) to the extent that it reduces tax payable under Article 18, to the level of minimum tax under this article, without the reduced business income tax paid under sub-Article 3.
- 6/ Subject to sub-Article 2, the following shall be exempted from minimum tax:
  - a) an entity under liquidation; and
  - b) a corporate body under debt restructuring.
- 7/ The provisions in this Proclamation shall also apply on a taxpayer which is granted tax incentive in accordance with tax incentive law. Therefore, the Alternative Minimum Tax shall be calculated on the income tax payable after applying tax incentives.
- 8/ For the purpose of this Article;
  - a) “**Annual Gross Receipt**” means the gross receipt in respect of goods supplied or services rendered in the tax year; and
  - b) “**Net banking income**” means the following revenue sources;
    - i) net interest income, also known as the net interest margin, which is the difference between interest earned on assets such as loans, and interest paid on liabilities such as deposits;





- ii) fees and commissions, which is income earned from fees charged for services like transactions, account maintenance, and advisory services;
- iii) net trading income, which is income from gains or losses from trading financial instruments;
- iv) gross investment income from financial instruments held for trading or investment purposes; and
- v) other operating income, which is income generated from miscellaneous sources, such as recoveries from previous write-offs.
- c) **“Commission income”** means a percentage of value of goods or services determined by law or by agreement of the parties payable to a service provider;
- d) **“Price-regulated body”** means a body whose prices for the supply of goods and provision of service are set by an agreement or set and controlled by a government body.”

**13. Sub article (1) (b) and (2) of Article 24 or the renumbered Article 26 of the Proclamation are deleted and replaced by the following new sub articles (1) (b) and (2):**

“1/ (b) in response to a call for development and emergency issued by the Federal Government Council of Ministers or the Regional Cabinet to defend the sovereignty and integrity of the country, to prevent or provide relief in relation to manmade or natural disasters or an epidemic or for any other similar cause or for development activities determined in a directive to be issued by the Ministry of Finance,

2/ The total deduction allowed to a taxpayer under sub article (1) of this Article for a tax year shall not exceed ten (10) percent of the taxable income of the taxpayer for the year. However, the Minister of Finance may by a directive allow more support for development sectors that are priority of the Government,

**14. The following new letter (o) is added after sub article (1) (n) of Article 27 or the renumbered Article 29 of the Proclamation:**

“o. An amount in excess of Birr 30,000 (thirty thousand Birr) paid by a taxpayer other than an account payee cheque or account payee bank draft, bank to bank transfer or an electronic payment method specified in a directive to be issued by the Ministry of Finance.



15. Article 33 of the Proclamation is deleted.

16. Article 49 or the renumbered Article 50 of the Proclamation is deleted and replaced by the following new Article 50.

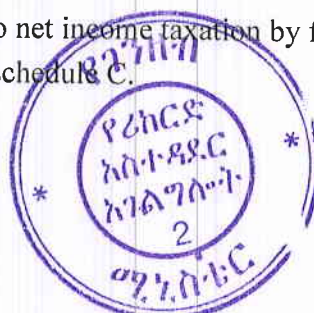
**“50. Taxation of Category ‘B’ Taxpayers**

- 1/ Notwithstanding any provisions in this Proclamation, or any tax provision in any other Proclamation, a Category B taxpayer shall pay tax on Annual Gross Sales.
- 2/ Tax on annual Gross Sales shall be levied and payable on the gross receipts from the sale of goods and services in a tax year.
- 3/ The rate of tax in respect of tax under this Article shall be;

<i>Annual Gross Receipts</i>	<i>Percentage</i>
<i>0 – 100,000</i>	<i>2%</i>
<i>100,001 – 500,000</i>	<i>3%</i>
<i>500,001 – 1,000,000</i>	<i>5%</i>
<i>1,000,001 – 1,500,000</i>	<i>7%</i>
<i>1,500,001 – 2,000,001</i>	<i>9%</i>

4/ Sub-article 1 shall not be applicable for the following;

- a) professional services which includes;
  - (1) accounting;
  - (2) architectural;
  - (3) consulting;
  - (4) construction;
  - (5) engineering;
  - (6) financial, economy and investment professional;
  - (7) health-care;
  - (8) legal;
- b) VAT-registered businesses; and
- c) businesses that elect into net income taxation by filing a declaration for income received under schedule C.





5/ Taxpayer engaged in professions listed under sub-article 4 of this Article shall maintain books of account required for Category "A" taxpayers under this Proclamation.

6/ Category "B" taxpayers shall pay business income tax for each tax year in accordance with the manner of payment prescribed by a regulation issued by the Council of Ministers."

**17. Sub article (2) of Article 51 or the renumbered Article 52 of the Proclamation is hereby deleted and replaced by the following new Article 52 (2):**

"2/ The rate of non-resident tax is:

- a) for an insurance premium or royalty, 15% (fifty percent) of the gross amount of the premium or royalty;
- b) for a dividend, 15% (fifty percent) of the gross amount of the dividend;
- c) for interest, 15% (fifty percent) of the gross amount of the interest;
- d) for a management or technical fee, 15 % of the gross amount of the fee."

**18. The following new Article 53 is inserted following Article 51 or the renumbered Article 52 of the Proclamation:**

**"53. Digital Service Tax**

- 1. A resident or non-resident who derives income from digital services provided in Ethiopia shall pay income tax.
- 2. The rate of income tax payable under sub-article 1 of this Article and the mode of payment shall be determined by Council of Ministers Regulations but the rate can-not exceed five (5) percent).

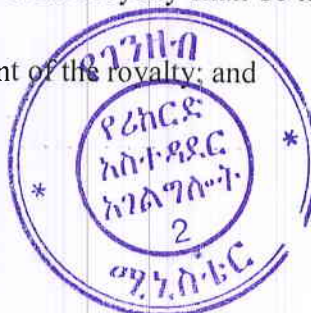
**19. Sub-Article (1) of Article 53 or the renumbered Article 55 of the Proclamation is hereby deleted and replaced by the following new Sub-Article 1:**

"1/ A non-resident entertainer or group of non-resident entertainers who has derived income from the participation by the entertainer or group in a performance taking place in Ethiopia shall be liable for income tax at the rate of 15% on the gross income derived from the performance without deduction of expenditures."

**20. Sub-Article (1) and (2) of Article 54 or the renumbered Article 56 of the Proclamation is hereby deleted and replaced by the following new Sub-Articles (1) and (2):**

"1/ A resident of Ethiopia who derives a royalty shall be liable for income tax at the rate of

- a) 15% on the gross amount of the royalty; and





b) 10% in the case of royalties related to art and culture.

- 2/ A non-resident who derives an Ethiopian source royalty that is attributable to a permanent establishment of the non- resident in Ethiopia shall be liable for income tax at the rate of 15% (fifteen percent) on the gross amount of the royalty.”

**21. Article 55 or the renumbered Article 57 of the Proclamation is deleted and replaced by the following new Sub-Article 57.**

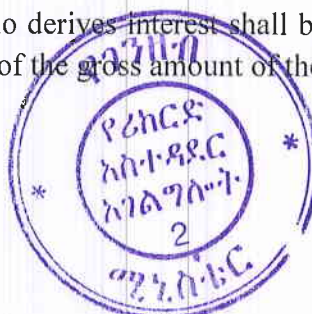
**“57. Dividend**

- 1/ A resident of Ethiopia who derives income from dividend shall be liable for income tax at a rate of 15% of the gross amount of the dividend.
- 2/ A non- resident who derives an Ethiopian source dividend that is attributable to a permanent establishment of the non-resident in Ethiopia shall be liable for income tax at a rate of 15% (fifteen percent) on the gross amount of the dividend.
- 3/ Notwithstanding the provisions of sub-article 1 of this Article if a body distributes dividend to a permanent establishment in Ethiopia or to a resident which is member of a group of companies the provisions of this Article shall not be applicable on such body.
- 4/ No deductibles shall be allowed in connection with the distribution made in accordance with sub-article (3) of this Article and the taxpayer shall not record the distributed amount as cost or setoff and shall not include such amount in the income of the taxpayer.
- 5/ For the purpose of this Article “**Group of companies**” means a company (hereinafter referred to as “**Controlling Group Company**”) which directly or indirectly has more than one companies (hereinafter referred to as “**Controlled companies**”) in which it owns more than 50% of the shares.

**22. Article 56 or the renumbered Article 58 of the Proclamation is hereby deleted and replaced by the following new Article 58:**

**“58. Interest**

- 1/ A resident of Ethiopia who derives interest shall be liable for income tax at the rate of 10% (ten percent) of the gross amount of the interest.



- 2/ A non-resident who derives Ethiopian source interest that is attributable to a permanent establishment of the non-resident in Ethiopia shall be liable for income tax at the rate of 10% (ten percent) of the gross amount of the interest.
  - 3/ Notwithstanding the provisions of this Article interest income of a financial institution obtained from deposit of money in another financial institution or other similar transaction shall be subject to tax under "Schedule C" of this Proclamation.
  - 4/ Notwithstanding the provisions of this Article a taxpayer who derives interest income from sale of goods or services on credit shall pay tax in accordance with Schedule "C".
- 23. Sub-Article (1) of Article 57 or the renumbered Article 59 of the Proclamation is hereby deleted and replaced by the following new Sub-Article (1):**
- "(1) A person who derives income from winning at games of chance held in Ethiopia shall be liable for income tax at the rate of 20% (twenty percent) on the gross amount of the winnings.
- 24. Sub-Articles (2), (3) and (7) of Article 59 or the renumbered Article 61 sub articles (2),(3) and (7) of the Proclamation are hereby deleted and replaced by the following new Sub-Article 61(2), (3) and (7):**
- "2/ The rate of income tax under sub-article (1) of this Article shall be 15% (Fifteen percent).
- 3/ The amount of gain on disposal of a taxable asset by a person shall be computed at the following formula:-  

$$(A-B) - C = \text{the amount of gain}$$
 In this formula:-  
 A- the consideration for the disposal of the asset  
 B- the cost of the asset  
 C- 30%
- "7/ For the purpose of this Article "taxable asset" means shares, bonds and buildings but with respect to buildings does not include a building held for and wholly used as a private residence for two (2) years prior to the disposal of the asset."
- 25. The following new Article 62 is added after Article 59 or the renumbered Article 61 of the Proclamation:**





agent of the non-resident and shall be liable for payment of the tax due in connection with the transfer, in accordance with this Proclamation.

- 6/ A body resident in Ethiopia which disposes of an asset constituting chargeable income [of a non-resident body or person] under Article 1 and 2, or facilitates such disposal, shall be liable, as agent, for the income tax payable under Article 61, unless the income tax has been paid by another body.
- 7/ A body or person who has disposed of an asset under Article 1 and 4 shall notify the Tax Authority of the disposal by filing a declaration under Article 83.
- 8/ A body or person which fails to notify the Authority of disposal of an asset under this Article shall be subject to a penalty under the Tax Administration Proclamation.

**26. Article 61 or the renumbered Article 64 of the Proclamation is deleted and replaced by the following new Article 64:**

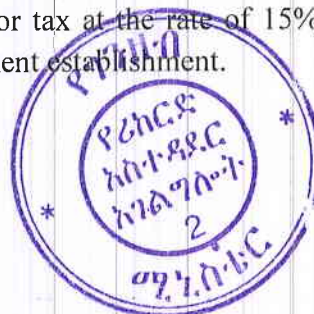
**“64. Undistributed Profit**

- 1/ Tax shall be paid at the rate of 15% (fifteen percent) on the undistributed profit of a body in a tax year to the extent that it is not reinvested in accordance with the directive to be issued by the Minister.
- 2/ For the purpose of this Article “**undistributed profit**” means net profit not distributed to the shareholders or not used to increase the capital of the company or not used to pay the subscribed shares of the shareholders of the company within 12 (twelve) months from the end of the tax year and includes an amount not remitted to a foreign company carrying on business through a permanent establishment.
- 3/ Subject to the details to be provided in a directive to be issued by the Ministry, a body shall be considered to have reinvested its profit when it uses its net profit to increase the shares of the shareholders and increase its capital or to pay the subscribed shares of the shareholders.”

**27. Article 62 or the renumbered Article 65 of the Proclamation is hereby deleted and replaced by the following new Article 65:**

**“65. Repatriated Profit**

- 1/ A non-resident body conducting business in Ethiopia through a permanent establishment shall be liable for tax at the rate of 15% (fifteen percent) on the repatriated profit of the permanent establishment.





- 2/ If the permanent establishment specified under Article 1 is unable to remit the profit within twelve months from the end of the tax year tax shall be assessed considering that the profit is remitted. In such cases no tax shall be imposed when such profit is remitted.
- 3/ The mode of application of this Article shall be determined by the regulations of the Council of Ministers.

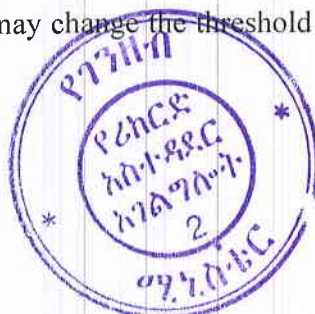
**28. The following new sub articles (r) (s) and (t) are added after Sub article (1) of Article 65 or the renumbered Article 68 of the Proclamation:-**

- “1 (r) Premium collected by the Ethiopian Deposit Insurance Fund;
- (s) Premium collected by existing companies from issuance of new shares;
- (t) Dividend paid by any Company to a Company in Ethiopia which directly or indirectly held 12.5% of the voting right and has controlling share in the first mentioned Company”

**29. The following new Article 81 is added after Article 77 or the renumbered Article 80 of the Proclamation:-**

**“81. Method of Payment**

1. A taxpayer shall not receive a payment in excess of Birr 30,000 (thirty thousand Birr) other than an account payee cheque or account payee bank draft, bank to bank transfer or a payment system authorized by the National Bank of Ethiopia for the following transactions:
  - a) in aggregate from a person in a day; or
  - b) in respect of a single transaction; or
  - c) in respect of transactions relating to one event or occasion from a person.
2. The provisions of sub-article 1 of this Article shall not apply on the following:
  - a) public bodies, public enterprises, banks and micro finance institutes;
  - b) other persons and organizations or transactions to be specified in a directive to be issued by the Ministry of Finance.
3. For purposes of this Article “Transaction” shall mean taxable transaction carried out by a person who is liable to pay tax.
4. The Ministry of Finance may change the threshold provided under sub-article 1 of this Article.”



30. Sub- Article (2) of Article 82 or the renumbered Article 86 is deleted.

31. Sub-Article 3 of Article 82 or the renumbered Article 86 is deleted and replaced by the following new sub-article 3:-

“3/ Category “B” taxpayers may maintain books of records in accordance with sub-article 1 of this Article. If such books of account are acceptable, tax shall be assessed based on their books of account.”

32. Sub-Article 6 of Article 82 or the renumbered Article 86 of the Proclamation is deleted and replaced by the following new sub-article 6, and the following new sub-articles 7 and 8 are added after sub-article 6;

“6/ Subject to the provisions of the Tax Administration Proclamation, where a taxpayer fails to provide documentary evidence required to support the deduction of an expense or its inclusion in the value of an asset, the Authority may disallow the deduction or the inclusion of the expense in the value of the asset.

7/ Where a taxpayer fails to submit the accounting records required to be maintained under this Proclamation, the tax shall be assessed on the basis of an estimate. However, such taxpayer shall not be entertained based on the tax payment method applicable to Category “B” taxpayers.

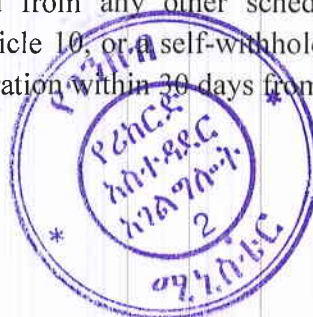
8/ The interest paid by a Company on a loan used to finance the purchase of shares in another company shall be allowed as deductible expense.”

33. The following new sub-article 8 is added after sub-article 7 of Article 82 or the renumbered Article 86 of the Proclamation, and sub-article 7 is renumbered as sub-article 9;

“ 7/ Category “A” taxpayer who has the obligation to pay tax under Schedule “C” and has an income from more than one business activities shall maintain separate books of account and records for each business activity in accordance with the relevant laws.

34. Sub-Articles (2) and (3) of Article 83 or the renumbered Article 87 of the Proclamation are hereby deleted and replaced by the following new sub-articles (2) and (3) :

“2/ If an employee has more than one employer in a calendar year , or income in the same period from any other schedule in this Proclamation in accordance with Article 10, or a self-withholding obligation, the employee shall file a tax declaration within 30 days from the end of the year.



3/ For an employee who is not required to file a tax declaration, the withholding tax receipt provided by the employer to the employee under Article 96 of this Proclamation for a year shall be treated for the purposes of this Proclamation and the Tax Administration Proclamation as an assessment of the amount of tax payable by the employee for the year being that amount as set out on the statement.”

**35. The following new article 88 is added after Article 83 or the renumbered Article 87 of the Proclamation:-**

**“88. Administrative Penalty**

A tax payer who in violation of Article 78 of this Proclamation receives money in cash in excess of the amount specified therein shall be liable to pay twice the amount received in cash as administrative penalty.”

**36. Sub articles (2) and (4) of Article 84 or the renumbered Article 89 of the Proclamation are deleted and replaced by the following new Sub articles (2) and (4); and a new sub-article 5 is added;**

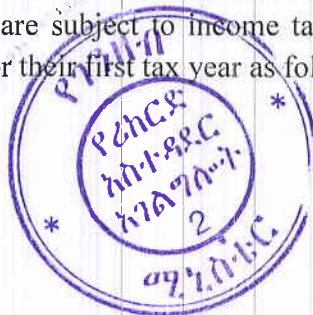
“2/ Category “A” taxpayers shall pay tax in the following manner:

- a) Pay 25% ( twenty five percent) of the tax paid in the immediate past tax year as an advance payment, within 5 (five) days from the end of each quarter beginning from the month in which they have to declare their income;
- b) Pay the remaining balance at the time they have to submit their annual declaration on the basis of their books of records less the amount paid in every quarter.

4/ Category “B” taxpayers shall pay tax in the following manner:

- a) Pay 25% ( twenty five percent) of the tax paid in the immediate past tax year as an advance payment, within 15 (fifteen days) from the end of each quarter beginning from Hamle 1 of each year;
- b) Pay the remaining balance at the time they have to pay their annual tax less the amount paid in every quarter.

5/ Notwithstanding the provisions of Sub-Articles (2) and (4) of this Article, new taxpayers who are subject to income tax for the first time shall pay annual income tax for their first tax year as follows:





- a) New Category “A” taxpayers shall pay the tax due for the tax year at the time they are required to file their annual income tax declaration;
- b) New Category “B” taxpayers shall pay the tax due for the tax year between Hamle 1 and Hamle 30.

**37. Sub Article 1 of Article 92 or the renumbered Article 97 of the Proclamation is deleted and replaced by the following new sub article 1):-**

“1. Except micro enterprises, bodies having legal personality, government agencies, non-profit organizations or non-governmental organizations and other taxpayers required to withhold tax by a directive of the Authority, shall withhold tax at a rate of 3% (three percent) of the gross amount of a payment made for the following:

- a) the supply of goods in Ethiopia involving more than Birr 20,000 (twenty thousand) in one transaction or supply contract;
- b) the supply of services involving Birr 10,000 ( ten thousand Birr) in one supply contract.”

**38. Sub article 4 of Article 92 or the renumbered Article 97 of the Proclamation is deleted and replaced by the following new sub article (4):**

“4. If the supplier in a transaction to which sub article (1) applies has failed to provide TIN and business license to the withholding agent, the withholding agent shall withhold tax at a rate of 30% (thirty percent) of the gross amount of the payment made”

**39. The following new Article 105 is added after Article 99 or the renumbered Article 104 of the Proclamation:-**

**“105. Application of Income Tax Incentives and Tax Exemptions Granted under other laws**

- 1/ Income tax incentives for investors who have obtained investment permits under the Investment Proclamation shall only be granted under Council of Ministers Investment Incentives Regulations.
- 2/ Except income tax incentives granted under the Investment Incentives Regulations all income tax exemptions granted by other proclamations, regulations and directives are hereby repealed.



3/ Notwithstanding the provisions of sub article 2 of this Article as provided under the Cooperatives Proclamation the business income derived by the cooperative shall be exempt from tax.

**40. The following Article 1(d) is added after sub article 1(c ) of Article 100 or the renumbered Article 106 of the Proclamation:-**

“(d) Turnover Tax Proclamation No. 308/2002 and its amendments.”

**41. Articles 22- to 102 of the Proclamation are renumbered as Article 22 to 107 consecutively.**

### **3. Transitory Provision**

- 1) The provisions hereby amended and the law repealed shall continue to apply for the tax year preceding the tax year in which this Proclamation enters into force.
- 2) Notwithstanding the provisions of sub article I of this Article the Minimum Alternative Tax shall be applicable as of July 7 2025.

### **4. Effective Date**

This Proclamation shall come into force on July 7 2025

Done at Addis Ababa, On this \_\_\_\_\_ Day of \_\_\_\_\_, 2025

Taye Askeselassie

PRESIDENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

