

Ethiopian Special Economic Zone Incentive Package for Foreign Investors

Ethiopia has introduced Special Economic Zone Proclamation No. 1322/2024, a comprehensive legal framework designed to attract and promote foreign investment by offering various rights, incentives, and protections to SEZ Developers, Operators, and Enterprises. We are pleased to share this announcement with Turkish investors who may be interested in exploring opportunities within Ethiopia's Special Economic Zones (SEZs).

I. Rationale for Revising the Previous Proclamation; The newly enacted proclamation addresses key economic and development goals:

- Promote private sector participation in manufacturing, agriculture, trade, services, and other productive sectors;
- Attract Foreign Direct Investment (FDI) and foster the development of economic clusters;
- Create decent job opportunities and improve export performance;
- Strengthen national capacity for import substitution and build backward and forward linkages;
- Enhance integration into global value chains and support sustainable economic growth.
- The SEZ framework also ensures transparency, accountability, and regulatory efficiency while defining the legal rights and obligations of all stakeholders.

II. Rights and Obligations of SEZ Stakeholders

Developers and Operators and Enterprises (Investors) Enjoy full customs duty and tax exemptions, along with other incentives as per the Proclamation and applicable laws.

III. Incentives for Investors; developers, and operators holding valid SEZ investment permits shall benefit from the following incentives:

- Full exemption from all types of taxes and duties on imports and exports of goods to and from the SEZ;
- Zero-rated VAT treatment and exemption from indirect taxes on goods and services entering the SEZ from the customs territory;
- Tax- and duty-free import of construction materials, whether procured directly or via contractors/logistics providers;
- Right to supply goods and services to the customs territory, subject to applicable taxes and duties;
- Exemption from taxes and duties on capital goods imported into the SEZ;
- Exemption from income tax on dividends distributed to shareholders;
- Exemption from withholding tax on income during the tax holiday period.

IV. Duty-Free Import of Personal Effects has mentioned the proclamation that any foreign investor or foreign employee engaged in an SEZ enterprise shall have the right to import personal effects into Ethiopia free of duties and taxes. Such individuals have the right to:

- Transfer personal effects to another person with similar privileges or re-export them without payment of taxes or duties;
- Transfer personal effects to a person without similar privileges, subject to applicable duties and taxes