DADIMOS & PARTNERS LLP

Welcome to the ninth edition of our newsletter!

We are pleased to bring you timely and insightful updates on important legal changes in Ethiopia

July-August 2025, Vol.9

Welcome to the Ninth Issue of Our Newsletter!

Contents:

As we celebrate the upcoming Ethiopian New Year, we are pleased to bring you a new edition of our legislative updates. This issue provides a concise overview of two key legislative developments from July and August 2025 that may have an impact on your business.

The key legislation covered in this issue are:

- Customs Valuation Directive
- Implementation of the Concession of Duty Tariff Rates on Goods for the African Continental Free Trade Area Agreement Council of Ministers Regulation.

We value your feedback, so please don't hesitate to reach out to us with any suggestions or topics you would like us to cover in future editions.

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A. Customs Valuation Directive Number 1080/2025

Background

The Ministry of Revenues introduced Customs Valuation Directive 1080/2025 ("the Directive"), in July 2025, replacing Customs Duty and Tax Assessment Value Directive No. 158/2011("the Previous Directive "). The Directive aims to align the Ethiopian Customs Valuation system with the World Trade Organization's principles and methods, as well as with other agreements established internationally, continentally, and regionally, which have been duly accepted and ratified.

Key Points

- **Transaction Value Method**

As Principle, the transaction value of imported goods is determined by the price actually paid or payable. Under the previous Directive, if the price declared for identical or similar goods was lower than the Customs reference value by more than 5% for importers and more than 10% for manufacturer-importers, it could trigger doubts regarding its accuracy. Although the current Directive does not explicitly specify a percentage threshold, the Commission may still consider doubts about the accuracy of the declared transaction value as valid grounds for review, provided such doubts are supported by transparent market analysis.

- **Method for Determining the Transaction Value of Identical and Similar Goods**

If the transaction value cannot be determined using the standard method, it may be established from price data of identical or similar goods sold to unrelated buyers under comparable conditions within 90 days of importation.

Where such a value is unavailable, it may be determined using goods sold in non-comparable quantities at the same commercial level, or goods sold in comparable quantities at a different commercial level, or goods sold in non-comparable quantities at a different commercial level, provided that appropriate price adjustments are made. The Directive explicitly states these adjustments shall only be made where the declarant provides evidence demonstrating that such price variations directly result from differences in commercial level or quantities.

In Addition, for similar goods, where two or more prices are available in the comparative pricing data, the Directive departs from the previous approach of applying a weighted average. Instead, it provides that the customs value shall be determined by selecting, the lowest price of identical goods imported within 30 days prior to the importation of the goods in question shall be used as the basis for valuation.

- **Fallback Value Method**

Where the value of goods cannot be determined using the standard valuation method, it shall instead be based on current data available in Ethiopia. For identical or similar goods, the Directive departs from the previous practice of applying a weighted average, instead take the lowest value of identical or similar goods imported within the preceding 60 days as the basis for valuation.

Deductible Costs

The Directive provides that, in calculating the CIF price, any commission paid for selling the goods, profit, total expenses incurred in the sale and expenses or fees incurred after the goods enter the country are deductible.

To compare the FOB price calculated according to the formula specified in the Directive with the FOB price stated on the invoice, if the declarant fails to provide acceptable evidence of payment for insurance, transportation, loading, unloading, or handling costs up to the first port of entry in Ethiopia, such costs may generally be deducted and calculated in accordance with Article 14 of the Directive and Article 96 of Proclamation No. 859/2006. This departs from the previous Directive, which imposed limits on the percentage of such deductions.

Conditions for Including Additional Payments in the Transaction Value of Goods

Additional costs and payments added to the transaction value are included in accordance with the circumstances outlined in the Directive. However, if such additional payments cannot be assessed based on tangible information and evidence, the Directive, different from the previous Directive, which specified circumstances, allows the Commission to determine these costs using other acceptable methods it considers appropriate.

Furthermore, the Directive provides that for goods produced in a neighboring country and imported into Ethiopia, the customs duty and tax assessment value shall be calculated by including only the actual land transport and insurance costs incurred to deliver the goods to the first point of entry into Ethiopia's customs territory.

- **Elimination of Manual Declaration**

Under the previous Directive, if the Tax Declaration system fails, the declarant was required to submit the information manually to the Commission. However, the Directive is silent on this issue, implicitly eliminating manual submission.

- **Valuation Decision Inspection System**

The Directive introduces the establishment of a control system by the Directorate to ensure that valuation decisions at all levels are made in accordance with the law and established procedures.

- **Appeal Procedure**

The Directive clearly specifies the procedure for submitting dissatisfaction with a valuation decision. A declarant may first appeal to the Customs Appeal Review Unit of the branch office, then if still dissatisfied, escalate the appeal to the Federal Tax Appeal Commission, and ultimately, to the Court.

- **Omitted Provisions**

The Directive omits the responsibilities of the Directorate and other relevant bodies that were specified in the previous Directive.

B. Council of Ministers Regulation No. 574/2025, Regulation for the Implementation of the Concession of Duty Tariff Rates on Goods for the African Continental Free Trade Area Agreement.

Background

The aspiration for African regional economic integration, as outlined in the 1991 Abuja Treaty establishing the African Economic Community, has progressed gradually. This journey began with the formation of several Regional Economic Communities (RECs) and finally culminated in the establishment of the African Continental Free Trade Area (AfCFTA), which was adopted in March 2018 and entered into force in April 2019. Ethiopia ratified the AfCFTA through Proclamation No. 1124/2019.

The AfCFTA aims to foster economic integration across a broad spectrum of sectors, including trade in goods and services, investment, intellectual property rights, and competition policy. However, implementation has been phased, with trade in goods and services prioritized in the first phase.

The Protocol on Trade in Goods gained swift acceptance and officially entered into force in January 2021. Member States committed to developing Schedules of Tariff Concessions, outlining annual tariff reductions to gradually achieve duty-free access across the continent. Despite this collective commitment, implementation has varied among Member States. As of October 2022, eight countries had commenced trading under the AfCFTA framework.

Following negotiations with Member States, Ethiopia secured approval for its tariff schedules on goods in February 2024. These schedules were formally published in the Federal Negarit Gazette on 14 July 2025, under the title "Implementation of the Concession of Duty Tariff Rates on Goods for the African Continental Free Trade Area Agreement Council of Ministers Regulation No. 574/2025."

Key Features of the Regulation

- **Tariffs/Charges covered under the Tariff Concession**

The Concession on Tariff Rates under Ethiopia's implementation of the AfCFTA encompasses various charges applied to imported goods, each governed by distinct legal instruments. These are:

- ✓ Custom Duty: Levied and collected on imported goods in accordance with Customs Proclamation No. 859/2014 and its subsidiary legislation.
- ✓ Surcharge: Imposed on imported goods pursuant to Council of Ministers Regulation No. 133/2007.
- ✓ Social Development Levy: Imposed on imported goods under Council of Ministers Regulation No. 519/2022.

Moreover, the regulation stipulates that no other duties in any form shall be levied on imported goods after the entry into force of the protocol on goods, effective as of January 2021. Retrospective claims for refunds, however, remain barred.

- **Concession on Custom duty: Standard Tariff Rules vs Free Trade Area Tariff Schedule**

With the entry into force of the Concession on Duty Tariff Rates, Ethiopia now operates under a dual tariff framework—the Standard Tariff Rules and the Free Trade Area Tariff Schedule—depending on the origin of imported goods.

- ✓ The Free Trade Area Tariff Schedule applies to goods originating from Member States actively implementing the AfCFTA, in accordance with the principles of reciprocity and mutual concession that underpin free trade area arrangements. The list of eligible Member States will be officially notified periodically by the Ministry of Trade and Regional Integration.
- ✓ The Standard Tariff Rules remain applicable to goods imported from countries outside the AfCFTA framework, or from Member States that have not yet commenced implementation.

In this context, determining the origin of imported goods becomes essential. The Ethiopian Customs Commission is responsible for verifying the country of origin, following the rules annexed to the AfCFTA Protocol on

Trade in Goods and in accordance with Customs Proclamation No. 859/2014.

- **For AfCFTA Tariff Concession Implementation, goods are classified into category A, B, C.**

For tariff classification purposes, Ethiopia adheres to the Convention on the Harmonized System of Classification and Labelling of Goods, ratified through Proclamation No. 67/1985. In implementing the AfCFTA Tariff Concession, the Regulation has categorized goods into three distinct classes—Category A, B, and C—based on the period and scope of tariff reductions.

✓ **Category A: Retroactive Tariff Implementation**
Goods in this category are subject to equal annual tariff reductions over ten (10) years, beginning January 1, 2021. Final Tariff Rate, by 2030, shall be zero. This class of goods represents not less than 90% of total tariff lines and the Tariff Schedule is annexed to the Regulation. The applicable tariff categories and the annual reductions rates are follows:

S. N	The applicable Tariff on the 2019	The Applicable Tariff rate from 2021 to 2030 based on the reduction									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	0	0	0	0	0	0	0	0	0	0	0
2	5	4.5	4	3.5	3	2.5	2	1.5	1	0.5	0
3	10	9	8	7	6	5	4	3	2	1	0
4	20	18	16	14	12	10	8	6	4	2	0
5	30	27	24	21	18	15	12	9	6	3	0
6	35	31.5	28	25	21	18	14	11	7	3.5	0

✓ **Category B: Deferred Liberalization**

Goods in this category are subject to equal annual tariff reductions over eight (8) years, starting from January 1, 2026. Final tariff rate by the end of the implementation period shall be zero. Goods under this category are yet to be determined. The Ministry of Finance is authorized to identify and notify the relevant authorities for implementation. The Regulation capped coverage of goods under this category at no more than 7% of total tariff lines.

✓ **Category C: Exempted Goods**

Goods in this category are exempt from tariff reductions under the AfCFTA framework and coverage is limited to no more than 3% of total tariff lines. The Ministry of Finance is responsible for identifying and notifying the goods under this category for implementation.

- **Tariffs could be adjusted but without prejudice to the MFN Clause.**

The regulation envisaged the possibility of, by negotiating with Member States, transfer of goods between categories or amendment of tariff classifications, and adjustment to standard tariff rules.

✓ **Reclassification and Category Transfers**

The regulation permits the transfer of goods between tariff categories (A, B, or C) or the amendment of tariff classifications, subject to negotiation with a Member State. The Ministry of Finance is responsible for notifying the relevant authorities to implement the changes.

✓ **Adjustments to Standard Tariff Rules**

The Standard Tariff Rules may be revised over time, including potential increases in tariff rates. Goods originating from AfCFTA Member States are not affected by such increases, maintaining their preferential treatment.

However, if a change in the Standard Tariff Rules results in a lower tariff rate than that specified in the Free Trade Area Tariff Schedule, then goods from Member States shall benefit from the lower rate under the Standard Tariff Rules. This approach ensures compliance with the MFN principle embodied in Art. 4 of the Protocol on Trade in Goods, guaranteeing that Member States are not disadvantaged relative to other trading partners.

- **Concession on Surcharge**

The Import Sur-Tax (Surcharge) is levied on all imported goods into Ethiopia pursuant to Council of Ministers Regulation No. 133/2007, at a standard rate of 10%, except for certain exempted items specified in the regulation.

Under the AfCFTA Tariff Concession framework, the surcharge applied to goods classified under Categories "A" and "B" shall be gradually reduced and ultimately eliminated through a linear reduction schedule, beginning from 1January 2021, the date of entry into force of the Protocol on Goods.

This reduction mirrors the approach used in the Free Trade Area Tariff Schedule for Customs Duty. The reduction schedules for Category "A" goods is outlined in the table below:

S.N	The applicable Tariff on the 2019	The Applicable Tariff rate from 2021 to 2030 based on the reduction									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	10	9	8	7	6	5	4	3	2	1	0

- **Concession on Social Development Levy**

The Social Development Levy, also known as the Social Welfare Levy, is imposed under the "Social Welfare Levy on Imported Goods Regulation No. 519/2022" at a rate of 3% on most goods imported into Ethiopia. Its primary purpose is to generate funding for essential public services such as education, training, health care, and other social programs. In principle, the levy applies broadly to all imported goods, with certain exceptions. Notably, goods that are subject to the Import Sur-Tax under Council of Ministers Regulation No. 133/2007 are exempt, along with other exemptions specified in Article 6 of the same regulation.

Under Ethiopia's implementation of the AfCFTA Tariff Concession, the Social Development Levy ceased to apply to goods classified under Categories "A" and "B". This exemption took effect from January 1, 2021, marking the date of entry into force of the Agreement (the Protocol on Goods), departing from the phased tariff liberalization for custom duty and surcharge.

- **Effective Date**

The Regulation is set to be effective one month after its publication in the Federal Gazette, as of 12th August 2025. Yet the Tariff Schedule annexed to the Regulation is deemed to have been entered into force as of 1 January 2021(the effective date of the Protocol on Goods). The regulation included a saving clause for potential retro-active claims declaring that taxes paid on goods imported from Member States prior to the date of entry into force of the Regulation (12th August 2025) shall not be refunded.

ABOUT US

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