



# Ethiopia Investment Weekly

19 May, 2020

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## News highlights

### The week in brief

#### Banks submit proposal for NBE to reduce interest rates

The NBE has proposed that banks recommend initiatives to mitigate the impact of Covid-19, particularly for clients who have been hard hit by the virus. The banks' strategy focuses on freezing and cutting interest for severely affected sectors. Banks have also rescheduled and rearranged their loan portfolios. To support them, the Central Bank has established a temporary vehicle for banks to access liquidity with 13% payment.

#### Ministry of Finance issues directive on tax debt relief

The directive remits tax debt (including principal tax, interest, and penalties) to mitigate the adverse impact of COVID-19 on taxpayers through three measures: remittance of tax debts, deferral of payments, and incentives for taxpayers who agree to settle tax debts in a defined period of time. The directive applies to two categories of taxpayers engaged in the service, manufacturing, export trade, finance, and construction sectors:

- **Category A taxpayers** (whose accounting period runs up to 2007 E.C and 2014 G.C) benefit from absolute remittance of principal tax, penalty and late payment interest.
- **Category B taxpayers** (whose accounting period runs from 2008-2011 E.C or from 2015-2018 GC) benefit from penalty and interest remittance if they pay 25% of the principal tax owed within 30 days and 75% of the principal within one year of the date on which the installment agreement is signed.

In addition, property seized as a result of failure to pay tax debt will be instated on fulfillment of the conditions laid out in the directive.

Details on the directive can be found on our webpage [here](#).

### Additional resources

- [How consumer-goods companies can prepare for the next normal](#): This McKinsey article describes the five trends in the consumer and retail landscape that have emerged during the crisis and might be the next new normal.
- [Economic impact of the COVID-19 pandemic on East African economies](#): This Deloitte publication provides insight on the expected economic impact of COVID-19 in Ethiopia, Kenya, Tanzania and Uganda and government measures taken to curb its spread and support economies.

### EIC bi-weekly survey

Thank you to everyone who completed the EIC survey. The **bi-weekly survey** is important to help us understand the impact of Covid-19 on our investors. Please take the time to fill it out – it takes just **5 minutes**.

The survey monitors how the situation is progressing. We use the input to understand **how best to support our investors and what topics are important** to them.

If you haven't completed the survey sent out on May 11, please do so [here](#).

The results of the survey will be anonymized by an external consultant





## Useful information

### EFDA fabric face mask directive

The Ethiopia Food and Drugs Administration Agency (EFDA) has published a **directive on the production and commercial sale of fabric face masks**. This directive is **applicable to fabric face masks that are produced locally by large manufacturers for commercial sale or donation**.

To apply for registration, fabric face mask manufacturers should submit a completed application form, proof of compliance with the EFDA's criteria and information on labelling and packaging.

All fabric face masks must comply with these criteria:

- **Filtration efficiency:** based on Ethiopian standards, fabric face masks should filter out all solid particulate or droplets smaller than 3 micro meters
- **Breathability:** masks must not restrict breathing
- **Contamination:** masks should not be contaminated with any chemical, particularly antibiotics. If the manufacturer uses chemicals to make the masks hydrophobic, they must list them. The part of the mask in direct contact with the skin should not be contaminated by any drug or biological element
- **Packaging:** packaging should comply with Ethiopian standards; it should not damage the masks or contaminate them with external elements
- **Labelling:** Labeling on primary or secondary packaging should provide clear and accurate information that does not mislead users, including key product and manufacturer information
- **Production area:** The area should be separate, disinfected regularly, and free of animals or insects. Production and warehousing areas should be free from moisture and dust.
- **Experts:** The production technical lead should be qualified as a textile engineer, chemical engineer or other textile-related profession. This includes professionals with 0 and above years of experience. All workers should wear the appropriate lint-free professional clothing

The directive also provides guidance on certification, advertising and promotion and reporting required.

Please refer to the full directive [here](#) for further information.

### EIC online application process for new investment licence to start operations

1. Go to <http://invest-ethiopia.com/>
2. Create an account and login
3. Create a profile
4. Select new investment services
5. Input project profile, project cost, employment and other relevant information
6. Upload required documents
7. Submit application

EIC will review the application and communicate decision.



## PMO Press Release on COVID-19 Economic Measures

### Prime Minister's Office press release on COVID-19 economic response measures

The Government of Ethiopia has introduced measures to support the economy during the COVID-19 crisis:

- **Remit tax debt** (including principal tax, interest, and penalties) until fiscal year 2015 for more than 3099 taxpayers
- **Remit interest and penalty for taxpayers** who have received a tax assessment notification for the period 2016-2019
- **Waive 30% rental tax** for education institutions and MSEs on regional government and city administration properties; this includes residential property owners who have waived rent and whose monthly rent income does not exceed 10,000 ETB
- **Waive employment tax** for four months for workers who are required to stay home on salary
- **Extend the filing time for returns and VAT and turnover tax payment** for March, April and May until June 2020 with no penalties or interest
- **Allow the deduction of COVID-19 donations from taxable income** limited to 20% of taxable income
- **Allow companies to carry forward losses incurred in 2020 fiscal year**, even if the business has already carried forward two losses
- **Defer pension contributions for private organisations**
- **Offer loans to ease SMEs' financial constraints** by opening a special window for quick disbursements

Click [here](#) for the full press release

Visit our website [here](#) for information on government support measures during COVID-19

### Ministry of Finance tax debt relief

Following the Council of Ministers' decision, the Ministry of Finance has issued a directive on tax debt relief.

The directive outlines the details on the support announced by the Council of Minister:

1. Remittance of tax debts
2. Deferred payment of tax debt
3. Incentives applicable to taxpayers that agree to settle taxes in a given period of time

A summary of the directive can be found on the EIC Covid-19 webpage [here](#)

#### CONTACT

Send us your feedback or questions: [covid-19.response@ethio-invest.com](mailto:covid-19.response@ethio-invest.com)

#### UNSUBSCRIBE

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