

## Annex 2: Directives and Proclamations Relevant to Logistics

The following Directives and Proclamations are considered relevant to the Logistics Sector, both directly and indirectly.

### **Commercial Registration and Business Licensing Proclamation No. 980/2016**

The Commercial Registration and Business Licensing Proclamation came into force on 5<sup>th</sup> August 2016, repealing The Business Registration and Licensing Proclamation No. 686/2010, to put in place a fair, modern, fast and accessible system of commercial registration and business licensing services, to close loopholes in legislation and working procedures that help to meet business community's expectation from commercial services, to support commercial registration and licensing activities with modern technology to make them suitable for data management, to combat illegal actions and make data accessible to the concerned bodies, and to ensure that the commercial system maintains principles of transparency, accountability and good governance.

The proclamations set forth mandatory registration to obtain business license in Ethiopia along with subsequent requirements such as obtaining a Tax Identification Number. It sets generic directions for further directives and regulations regarding the mandatory need for permission to participate in international trade fairs, and the generic prohibition of services as sole importer and distributor with the possibility of sectoral permission, the registration of franchise, and registration of a foreign chamber of commerce. It sets mandatory requirements to keep minimum inventory of spare parts for importers of machinery, construction materials, and vehicles and guarantee lifetime maintenance services to buyers. It also offered the Ministry the power to deny importation and exportation of certain goods or permit import and export without business license.

### **Value Added Tax Proclamation No. 285/2002**

Value Added Tax Proclamation No. 285/2002 was devised to replace sales tax, reduce tax evasion, improve saving and investment by taxing consumption, and improve Government revenue to GDP ratio. The proclamation excluded certain services such as transport services, and humanitarian aid, gold supply to National Bank of Ethiopia, import and export of foreign currency, certain prescription drugs, imports for organizations such as educational, religious, government, and specified institutions from VAT.

### **A Proclamation to Amend the Value Added Tax Proclamation No. 609/2008**

Value Added Tax (Amendment) Proclamation No. 609/2008 offered amendments to Value Added Tax Proclamation No. 285/2002 with updated names of parties, definitions, new articles, and modified articles. The amendment detailed the use of cash register machines, VAT invoicing and reporting, and monetary and jail term penalties for offenses.

### **The Excise Tax Proclamation No. 1186/2020**

The Excise Tax Proclamation No. 1186/2020 is issued in March 2020, repealing the Excise Tax Proclamation No.307/2002 (as amended). This proclamation is devised to review the type of luxury, hazardous, socially harmful goods requiring imposition, revise the previous tax basis on ex-factory price, and tackling excise tax collection problems of the past.

Excisable goods exported under customs control, including those stored in the approved warehouse excisable services exported from Ethiopia, excisable goods and services that are supplied to entities that are exempt from excise tax by law; goods and services exempted

from excise tax by the Minister due to economic, social and administrative reasons; excisable goods that have been lost or destroyed by accident or other unavoidable cause at manufacturer's site or on board before importation.

The proclamation defined excise tax value for import the sum of customs value and customs duty, for export ex-factory price, and for others fair market value. The proclamation offered the Minister to make yearly inflation adjustment not exceeding 10 per cent to the set excise tax rate that ranges between 5 per cent and 100 per cent. The proclamation delegated the council of Ministers to issue regulations and the Minister to issue directives involving the list of excisable goods. Currently, as indicated by Shemsu (2020) in "*Addis Fortune*", about 19 categories of goods are included for excise tax and for vehicles of below to 1500 cc, 1501-2500 cc, and 2501-3000cc and above 3000cc, excise tax of 10 %, 20%, 30% and 60% are applicable, respectively. Electric cars are exempted not only from excise tax but also from VAT and surtax.

### **Ethiopian Revenues and Customs Authority Establishment Proclamation No. 587/2008**

The proclamation established the Ethiopian Revenues and Customs Authority that is accountable to the Prime Minister effective on 14<sup>th</sup> July of 2008 by merging the previous Ministry of Revenue, the Ethiopian Customs Authority and the Federal Inland Revenue Authority. The authority is established with the view to instil modern systems, voluntary participation, effective tax collection, effective tax enforcement, and Federal and regional harmonisation.

### **Multimodal Transport Operators Commercial Licensing and Competency Certification. Directive no. 802/2021**

Multimodal Transport Operators Commercial Licensing and Competency Certification. Directive no. 802/2021 is issued by Minister of Transport, Federal Democratic Republic of Ethiopia in June 2021. The directive has been issued to address the following issues:

- The necessity to enhancing the performance of the logistics sector, creating efficient and strong service providers and realising competition led sector requires opening up of the multimodal transport system;
- The country's import and export trade increased significantly from time to time by type and volume and consequently it is believed that realization of effective multimodal transport service by the sole operator is not possible;
- The necessity of opening multimodal transport service that has been restricted to public enterprise to private investors to ensure that customers and the public at large are benefited from the quality of service, competition, and accessibility to it; and
- Increasing the number of multimodal transport service providers is believed to have a significant contribution in reducing the country's foreign currency expenditure related to international import and export trade transport cost, dwell time, and storage at seaport.

Hence, the directive consists of general provision, scope of application, need for business license, certificate of competency and business license of multimodal transport operators for goods not covered under the fob directive, certificate of competency and business license of multimodal transport operators for goods covered under the fob directive, and the complaint handling and applicability of other laws on multimodal transport operators commercial licensing and competency certification directive.

### **A Proclamation to Promote Sustainable Development of Mineral Resources, Proclamation No. 678/2010**

A Proclamation to Promote Sustainable Development of Mineral Resources, Proclamation No. 678/2010 has been issued by House of People Representative on 4th August 2010. The Mining Proclamation No. 52/1993 is repealed by this proclamation.

The Constitution provides that the right to ownership of all natural resources of Ethiopia is exclusively vested in the Government and in the peoples of Ethiopia and that the Government is the custodian. Minerals are non-renewable natural resources, and the Government shall ensure the conservation and development of these resources to the socio-economic progress of all Ethiopians.

Part one and two of the proclamation state the general, fundamental principles and general provisions of the proclamation. Part three to five of the proclamation declare the mining licenses, certificates and its administrative related clauses, respectively. Part six and seven stipulate the right of way compensation to be paid for the mining place property holders and the environmental management requirements in mining sites and its surrounding environment, respectively. Part eight and nine involve provisions related to royalty fees, income tax and other financial regime and miscellaneous provisions, respectively.

### **A Proclamation on Export Trade Duty Incentive Schemes, Proclamation No. 768/2012**

A Proclamation on Export Trade Duty Incentive Schemes, Proclamation No. 768/2012, has been ratified by House of People Representative on 4<sup>th</sup> September 2012 and the Revised Duty Incentives Schemes Proclamation No.543/2007 is repealed by this proclamation. The proclamation is issued to address the following rationales:

- It is necessary to ensure economic development by accelerating industrial growth of the country and to improve the foreign exchange earning needed for development and investment;
- To achieve transformation into industry led economy, it is necessary to establish a system of reinforcing value creation in the process of production; and
- It is essential to create conducive environment for domestic products to become competitive in international commodity markets by rendering efficient the scheme of incentives available for export trade through rectification of deficiencies noticeable in the scheme and by introducing new incentives having direct or indirect impact of motivating investors engaged in export trade.

Part One of the proclamation introduces the short title of the proclamation, Terminology Definitions used in the proclamation. Part Two and Three stipulate the Duty Draw-Back Scheme and Voucher Scheme of export trade duty incentive schemes. On the other hand, Part Four, Five, Six and Seven of the proclamation explains Bonded Export Factory Scheme, the Industrial Zone Scheme, the Bonded Export Manufacturing Warehouse Scheme and the Bonded Input Supplies Warehouse Scheme. Miscellaneous Provisions are stated in the Part Eight.

### **A Proclamation on Investment, Proclamation No. 769/2012**

A Proclamation on Investment, Proclamation No. 769/2012, is ratified by the House of People Representative on 17 September 2012 and the Investment Proclamation No. 280/2002 is repealed by this proclamation. The proclamation is intended to address the following issues:

- The encouragement and expansion of investment, especially in the manufacturing sector, has become necessary so as to strengthen the domestic production capacity and thereby

accelerate the economic development of the country and improve the living standards of its peoples;

- It has become necessary to further increase the inflow of capital and speed up the transfer of technology into the country;
- It has become necessary to enhance and promote the equitable distribution of investments among regions and benefit the society by ensuring competitiveness among investments made by investors;
- It has become essential to put in place a system of supervision to ensure that permits and incentives granted to investors are used for the intended purposes;
- The system of administration of investment needs to be transparent and efficient; and
- It has been considered that the establishment of industrial development zones helps, by creating enabling and competitive condition, to interrelate manufacturing sectors based on value creation as well as to attract and expand investment.

Hence, Part one of the proclamation introduces the short title of the proclamation, terminology definitions used in the proclamation, scope of application and jurisdiction of the Agency in the administration of investments. Part two and three provide the investment objectives and areas of investment, and the forms of investment and capital requirement for foreign investors. Part four and part five stipulate the investment permit registration of technology transfer and collaboration agreements with domestic investors respectively. Part six through nine declare the investment incentives, guarantees and protection, investment administration, and industrial development zones, and miscellaneous provisions, respectively.

#### **Customs Proclamation No. 859/2014**

The Customs Proclamation No. 859/2014 has been issued by House of People Representative on 9<sup>th</sup> day of December,2014 and the Customs Proclamation No. 622/2009 is repealed by this proclamation. The proclamation was ratified with the following intentions:

- It has become necessary to have an expedient and modern customs legal framework which encourages the development of manufacturing industries and investment compatible with the level of international trade practice;
- International, continental and regional trade agreements to which the country is a party require contemporary customs laws and procedures; and
- Strong system of law enforcement is required from time to time to prevent the increasing incidence of contraband and other commercial crimes which are resulting in negative impacts on legitimate trade, public security, government revenue and other social and economic development.

Accordingly, the proclamation contains introduction involving prohibited or restricted imports and exports goods list, and subsequent parts comprising of the principles of customs operations, customs procedure, customs duties and tax, obligations related to customs operations, customs control and law enforcement, and customs offences and penalties, and miscellaneous provisions.

#### **Income Tax Proclamation No. 979/2016**

The Federal Income Tax Proclamation No. 979/2016 has been ratified by House of People of Representative on 18<sup>th</sup> August 2016. The Income Tax Proclamation No 286/2002 and all amendments; The Mining Income Tax Proclamation No 53/1993 and all amendments and the Petroleum Operations Income Tax No 296/1986 and all amendments are repealed and inapplicable laws due to this proclamation.

The proclamation is ratified with the following intentions:

- It has become necessary to introduce modern and efficient tax system that supports the economic development, and which is in accord with the level of economic development achieved so far.
- It is found essential to make the tax system fair and bring income that are so far not subjected to tax into the tax net.

The proclamation contains introduction comprising of short title of the proclamation, terminology definitions used in the proclamation, categories of taxpayers, permanent establishment, residence, source of income, scope of application, schedule of income and obligation to pay income tax. Part two to five of the proclamation includes income from employment, income from rental of buildings, income from business and other income tax are stipulated in the proclamation. Part six to eleven incorporate exempted income and common provision, anti-tax avoidance, administrative and procedural rules, withholding tax, and miscellaneous provisions.

#### **Tax Administration Proclamation No. 983/2016**

The Federal Tax Administration Proclamation No. 983/2016 is issued by House of People Representative on 20<sup>th</sup> August 2016. The intention of the Tax Administration proclamation ratification is:

- It is necessary to enact a separate tax administration proclamation governing the administration of domestic taxes with a view to render the tax administration system more efficient, effective and measurable;
- It is believed that introducing the system of advance tax ruling helps to address the problem of prolonged dependency of taxpayers' cases resulting from divergent interpretation of tax laws within the tax administration;
- It is necessary to establish a system for review of taxpayers' complaints on tax decisions which is accessible, well organized and capable of efficient disposition of cases;

Accordingly, proclamation main sections cover fair market value determination, tax laws section; duty of the authority, obligations and responsibilities of tax officers, duty to co-operate and confidentiality of tax information, taxpayers registration, taxpayer identification numbers, tax representatives, documentation requirement, tax declarations, the tax assessments and collection and recovery of tax and other amounts processes, credit, refund, and release from tax liability, tax disputes resolution process, information collection and enforcement, advance rulings procedures, communications with the tax payer and different forms, and notices related to the tax administration, tax appeal commission duties and responsibilities and jurisdictions, licensing of tax agents; administrative, criminal penalties, and rewards and the miscellaneous provisions.

#### **Customs Warehouse License Issuance Council of Ministers Regulations No. 24/1997**

Council of Ministers Issued the Customs Warehouse License Issuance Council of Ministers Regulations No. 24/1997 on 20<sup>th</sup> December 1997. The Customs (warehouse) Regulations No. 47/44 is repealed by this Regulation. The Regulation are issued by the Council of Ministers pursuant to Article 5 of the Definition of powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 4/1995 and Articles 40 (4) and 84 of the Re-Establishment and Modernization of Customs Authority Proclamation No. 60/1997.

The regulation defines the kinds of warehouse to be licensed; Determines the permissible and prohibited location for the establishment of customs warehouses; States the working days and hours of licensed warehouse; provides provisions for payment for the service rendered by the Authority, License issuing and renewal Fee; and stipulates the validity period of license shall be effective for one fiscal year unless it is revoked for the reasons prescribed under this Regulation. The regulation states that the Customs Warehouse license shall be renewed every year from July 1 to 30.

#### **The Customs Tariff Regulations Amendment Council of Ministers Regulation No. 25/1997**

The Council of Ministers Regulation issued The Customs Tariff Regulations Amendment in Pursuant to Article 5 of the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No 4/1995 and Article 4 of the International Convention on the Harmonized Commodity Description and Coding System Ratification Proclamation No. 67/1993.

The Customs Tariffs Classification System of Goods and Rites attached to the Customs Tariffs Regulations No. 122/1993 is further amended by the Schedule attached in this Council of Ministers Regulations No. 25/1997.

#### **The Customs Tariff Regulations Amendment Council of Ministers Regulation No. 80/2002**

Council of Ministers Customs Tariffs (Amendment) Regulations No. 80/2002 was issued by the Council of Ministers pursuant to Article 5 of the Definitions of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 4/1995 and Article 4 of the International Convention on the Harmonized Commodity Description and Coding System Ratification Proclamation No. 67/1993.

The Customs Tariffs Classification System of Goods and Rates Schedule attached to the Customs Tariffs Regulations No. 122/1993 was further amended by the Schedule attached to this Regulation.

#### **The Revised Regulation on the Importation of Goods on Franco- Valuta Basis Council of Ministers Regulation No. 88/2003**

This revised Regulation is issued by the Council of Ministers pursuant to articles 5 of the Definition of powers and duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 4/1995. In the revision goods that may be imported on Franco- Valuta basis is exhaustively stated and the importation of goods on franco-Valuta basis council of Ministers Regulation No.8/1996 is repealed by this Regulation.

#### **The Customs Tariff Regulations Amendment Council of Ministers Regulation No. 89/2003**

This revised regulation was issued by the Council of Ministers pursuant to Article 5 of the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 4/1995 and Article 4 of the International Convention on the Harmonized Commodity Description and coding system Ratification Proclamation No. 67/1993. The Second Schedule of the Customs Tariffs Classification System of goods and Rates attached to the Customs Tariffs Council of Ministers Regulation No. 122/1993 is further amended in this Regulation.

The amendment explicitly permits duty-free entrance of Capital Goods and machineries imported by Ethiopian government agencies and non-governmental agencies. Ministry of Revenue became responsible for facilitating this duty-free permit.

### **Customs Clearing Agents Council of Ministers Regulation No. 108/2004**

This Regulation is issued by the Council of Ministers pursuant to article 5 of the Definition of powers and duties of the executive organs of the Federal Democratic Republic of Ethiopia Proclamation No. 4/1995 and Article 90(1) of establishment and modernization of customs Authority Proclamation No. 60/1997 (amended). The Customs Clearing Agency License Issuance Council of Ministers Regulation No. 155/1994 is repealed by this Regulation.

The regulation incorporated customs clearing agents training, issuance, suspension, and cancellation of certificate of qualification, competence and identification card, and criteria for issuing certificate of competence and responsibilities and obligations of customs clearing agent.

### **Import Surtax Council of Ministers Regulation No. 133/2007**

This Regulation is issued by the Council of Ministers pursuant to Article 5 of the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 471/2005 and Article 4 of the International Convention on the Harmonized Commodity Description and Coding System Ratification Proclamation No. 67/1993. The basis of computation for the sur-tax levied under this Regulation become the Aggregate of Cost, insurance, Freight (CIF) value and Customs duty, value Added Tax and Excise Tax Payable on the good. The Regulation also provides goods exempted from this tax.

### **Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Ministers Regulation No. 270/2012**

This Regulation is issued by the Council of Ministers Pursuant to Article 5 of the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 691/2010 and Article 39 of the Investment Proclamation No. 769/2012. The Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Ministers Regulation NO.84/2003 is repealed by this regulation.

The regulation identifies investment areas reserved for domestic investors. Packaging, forwarding and shipping agency services and air transport services using aircraft with a seating capacity up to 50 passengers are amongst the areas permissible only for domestic investors. The regulation also stipulates Tax- and Duty-free incentives entitlements to encourage investment.

### **Customs Warehouse Administrative Directive No. 40/2002 E.C**

The Directive on Customs Warehouse Administration Implementation No. 40/200245 describes the particular requirements for the different kinds of warehouses as well as their grades.

In accordance with Article 175(1) of the Customs Proclamation, certain groups of persons can establish temporary customs storage and bonded customs warehouses for rental or private use upon obtaining the necessary permits issued by ERCA.

The groups of persons eligible to establish customs warehouses differ depending on the type of warehouse. Thus, public temporary customs storage or a public bonded customs warehouse may be established, for rental use, by:

- An enterprise engaged in freight transport;
- An enterprise established to operate warehouse service;
- An enterprise established to provide industrial zone services;
- An enterprise established to operate customs clearing services; or any other person specified by ERCA.

Temporary customs storage for private use may be established by:

- A contractor engaged in a government project; or
- Any other person exceptionally authorized by ERCA.

A bonded customs warehouse for private use may be established by:

- An enterprise engaged in the sale of duty-free goods;
- A charity or other non-profit making organization;
- An enterprise engaged in the manufacturing of goods using raw materials and accessories acquired without payment of duty and tax; or
- Any other person specified by ERCA.

### **Disposal of Abandoned Goods under Customs Control Procedure Directive 56/2003 EC**

Goods are considered abandoned when they are not collected by their owners in time from the warehouse. If the owner notifies the abandonment in writing before the expiry of the period of storage in temporary and bonded warehouses, they will be put on sale and their proceeds go to Government. This will be managed by this Disposal of Abandoned Goods under Customs Control Procedure Directive 56/2003 EC. The same applies for forfeited goods. If there is no notification by the owner, the goods will be transferred to Government customs warehouse and will be disposed by sale in accordance of Directive 56/2003 EC.

The directive stipulates if the goods don't have market value, ERCA will decide on them. The owner of the goods may claim the proceeds from the sale of the goods after deduction for.

- Duties and taxes;
- Expenses incurred by ERCA in relation to the goods;
- The warehouse fee and transportation expenses; and
- Interest calculated at bank lending rate on the amounts referred to above

### **A directive to provide for the type and quantity of vehicles allowed to be imported duty free for development projects No. 942/2023**

This directive enables to import duty free vehicles to investors setting up new project and upgrading the existing investments in the different sectors including logistic industry. Under logistic sector duty free trucks importing are granted for cooling warehouse services, silos warehouse service and dry port service.

### **Directive Providing for Simplified Customs Procedures for Authorized Economic Operators, Directive No. 65/2004 E.C**

A "Simplified Procedure" for the release of goods for free circulation based on limited declaration information by using a simplified declaration produced for this purpose. The trader, subsequently, submits a detailed declaration within the time limit prescribed by the law. The Simplified Directive No 65/2004 is governed under the terms of Articles 84-88 of the Customs Proclamation.

The following requirements have to be fulfilled to use the procedure:

- An authorisation certificate issued by concerned authority;
- A security (General insurance bond); and
- A simplified declaration electronically completed and submitted.

The beneficiaries of the Simplified Procedure are:

- Authorised manufacturers producing for export markets;

- Authorised manufacturers producing for the local market;
- Direct exporters; and
- Authorised Economic Operators (AEOs).

Different types of simplified procedures exist such as declaration of goods, clearance of goods, and self-assessment of duty and tax liabilities.

#### **Franco-Valuta Directive No. 66/2004 E.C**

This directive Franco Valuta Directives 66-2004 Improved as 88-2006 aims to control issues such as:

- Importation of items of clothing which are not subjected to Franco valuta payment for personal and family use, as donations or gifts that create undue competition on the local textile industry;
- Setting a limit on amounts of goods imported as donations or gifts so as to elevate the problem of unfair competition for local merchants.

The directive outlined these issues to protect the interest of the local market. It has set additional requirements and guidelines of means of importation of goods to the country. Whereas the allowed items are overall cost of items imported less than USD1000 for the purpose of donation or gift. This does not include importation of used items of clothing. In addition, importation of items as donation or gift can only be applicable twice a year. Any more than that will be subjected Franco valuta payment.

#### **Export Trade Duty Incentives Directive No. 86/2005 E.C**

A Proclamation on Export Trade Duty Incentive Schemes Proclamation No. 768/2012 is ratified to encourage export trade and to create conducive environment for domestic products to become competitive in international commodity markets by rendering efficient the scheme of incentives available for export trade through rectification of deficiencies noticeable in the scheme and by introducing new incentives having direct or indirect impact of motivating investors engaged in export trade. With this intention of the proclamation Export Trade Duty Incentives Directive is in effect. The directive addresses:

- Fulfilment of conditions for refund of Duty paid on goods imported or purchased locally by beneficiaries;
- Specifying the conditions to be fulfilled to be eligible for the voucher scheme;
- Defining the standards to be met by the manufacturing plants owned by beneficiaries of the scheme;
- Prescribing additional conditions to be fulfilled to become beneficiary of the bonded export factory scheme, post-delivery audit of goods and guidelines for the application of the scheme;
- Stipulating the criteria to be fulfilled by industries to become beneficiary of the industrial zone scheme; and
- Defining the standards to be met by the manufacturing warehouses owned by beneficiaries of the scheme.

#### **Second Schedule Tariff Application Directive No. 45/200 E.C**

This Directive is issued for Items imported under the Second Schedule are goods that get import tax privileges as additional benefits because of their social, economic, or environmental contribution. Sectors that the government believes are of great national interest are given special tax benefits so to encourage investment in the sector. A typical example is the

manufacturing sector where local value addition by manufacturing or assembling imported industrial inputs into a complete product would create employment, result in technology transfer and speed up industrialisation.

Components that fall under this category are SKD components and other input materials that would be locally assembled into a final product.

### **Administrative Penalties for Customs Offences and Forfeiture of Goods Implementation Directive No. 112/2008 EC**

According to the Administrative Penalties for Customs Offences and Forfeiture of Goods Implementation Directive No. 112/2008 EC, the responsible customs department will decide on administrative cases and appeals against them within seven (7) days after all relevant evidence and documents have been presented. Important customs offences and corresponding penalties are the following ones:

- Importing, exporting or trying to export restricted goods without approval;
- A traveller found in possession of goods that exceed, in quantity or value, the limits specified by law;
- Importing and exporting without paying duties/taxes, not correctly stating in a declaration, or paying understated duty or taxes;
- Removing or disconnecting customs seals or removing, defacing, cancelling or altering labels affixed on goods or their package and packages or breaking bundles of goods;
- Not returning samples or damaging them; and
- Failure to observe customs procedures applicable to the transit of goods.

### **Directive of Transit Procedures No. 117/2008 E.C.**

Directive of Transit Procedures No. 117/2008 refers to customs procedures under which goods are transported under customs control from one customs office to the other. The Revised Kyoto Convention (RKC) provides standards for the application, formalities at the office of departure, customs seals, formalities enroute and termination of customs transit. In line with this, the Customs Proclamation contains provisions related to the application of customs transit operation in Ethiopia. This includes the basic transit terms and concepts such as goods declaration for customs transit, sealing and identification of consignments, customs seal, procedures enroute, termination of customs transit, etc.

Importantly, according to Article 16(2) of the Proclamation goods being carried under customs transit shall not be subject to the payment of duties and taxes, provided the conditions laid down by ERCA are complied with and a security has been furnished for this purpose.

Article 16 of the Proclamation prescribes that there are four types of customs transit operations allowed in Ethiopia:

- Inward transit: from a customs station of entry to an inland customs station;
  - Outward transit: from an inland customs station to a customs station of exit;
  - Through transit: from a customs station of entry to a customs station of exit; and
  - Interior transit: from one inland customs station to another inland customs station.
- Directive of Transit Procedures No. 117/2008 E.C is issued to direct these custom transits practices.

### **Directive to Determine the Application of Customs Declaration, Directive No. 118/2008 E.C**

The directive set the principle, all import, export, or transit goods need to be declared. Any goods in respect of which goods declaration is presented shall, in the declaration, be identified as any of the following:

- Dutiable or duty free (e.g., if imported for home use or under the duty draw back import regime);
- For outright export or temporary export;
- Exported for outward processing; or
- Imported for inward processing and whether it is duty free; or
- Imported temporarily without payment of duties and taxes.

Some goods are exempted from requiring a goods declaration depending on their nature or use according to the Directive to determine the application of customs declaration, Directive No. 118/2008 E.C.