USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Voluntary Report – Voluntary - Public Distribution **Date:** October 12, 2021

Report Number: ET2021-0002

Report Name: The Government of Ethiopia Unveiled a Major Revision of Tariffs on Imported Goods

Country: Ethiopia

Post: Addis Ababa

Report Category: Agriculture in the Economy, National Plan, Policy and Program Announcements, Trade Policy Monitoring, Trade Policy Incident Report

Prepared By: Abdurahman Mohammed

Approved By: Jodi Erickson

Report Highlights:

On August 6, 2021, the Government of Ethiopia (GOE) announced a revised edition of the customs tariff book. The revised tariff book includes over 8,000 tariff line items for raw materials, intermediate, consumer-oriented, and capital goods. The GOE intends to achieve two main objectives by applying the revised tariffs on imports. First, the GOE aspires to enhance the competitiveness of domestic producers by imposing a higher duty on similar goods locally produced in sufficient quantity and quality. Second, the GOE intends to support local producers who import raw materials, which are unavailable domestically, at low tariffs. The GOE also amended the customs tariff to align with its ten-year economic development plan. In addition, Ethiopia envisages harmonizing its tariff book with that of the World Customs Organization (WCO). The tariff amendment, combined with other trade measures and policy reforms, could accelerate the country's integration into regional and global trading systems.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Disclaimer: The USDA/Foreign Agricultural Service, Office of Agricultural Affairs, Addis Ababa Office prepared this brief report on Ethiopia's revised customs tariff applying to agriculture and related products. While every possible care has been taken in the compilation of the tariff statistics, information provided may not be completely accurate either because policies/regulations/directives have changed since preparation, or because clear and consistent information was not available. Our office highly recommends that U.S. exporters read Ethiopia's Revised Tariff Book and verify the full set of import tariffs. In addition, our office advises U.S. exporters to consult with their foreign customers, who are normally best equipped to research such matters with local authorities, before the U.S. Exporter ships any goods.

Background

The Ministry of Finance (MOF), on behalf of the Government of Ethiopia (GOE), unveiled a revised edition of the customs tariff book, on August 6, 2021. The Ethiopian government modified the preceding version of the customs tariff book issued in 2017. Recently, the GOE amended the tariff book to encourage local production and promote import substitution. The customs tariff book has 371 pages with over 8,000 line items for raw materials, intermediate, consumer-oriented, and capital goods. According to MOF, the tariff revision focused on addressing constraints and policy-related challenges to stimulate mainly the agriculture and manufacturing sectors. The tariff amendment also aims at enhancing the competitiveness of these productive sectors of the economy. A special tariff committee comprising senior experts from the Ministries of Finance, Revenue, Trade and Industry, and Customs Commission developed the revised customs tariff book.

The Objectives of Tariff Revision

The GOE revised the customs tariff rates on imported goods, driven by the socio-economic structure of the country and policy reform agendas. The GOE expects the revision to bring significant changes to the growth of the manufacturing sector. The Ethiopian government envisions the latest national tariffs to align with its ten-year economic development plan (2021-2030). The amendment also intends to harmonize the customs tariff book with that of the World Customs Organization (WCO), of which Ethiopia is a member country. Overall, the GOE has two broader objectives to achieve through implementing the revised customs tariffs:

- To make domestic production more competitive by imposing higher tariffs on goods produced locally in sufficient quantity and quality; and
- To support local producers import raw materials, which could not be available domestically, at low tariffs.

To galvanize its economic reform agenda, the GOE looks to ease tariff and non-tariff barriers to trade. In 2020, the GOE restarted the negotiation process for the WTO accession after eight years of a halt. In this regard, Ethiopia submitted a revised offer for goods and resumed bilateral market access talks. With

respect to status for accession to the WTO, Ethiopia held a Working Party meeting for the fourth time in January 2020. In addition, Ethiopia offered to cut tariffs by 90 percent on traded goods. At present, Ethiopia is concluding negotiating inputs in preparation for the fifth meeting of the Working Party. These include Ethiopia's responses to the WTO Members' queries and other accession documents, including a revised Legislative Action Plan and a revised offer on goods.

Tariff Classification and Structure

Ethiopia follows the International Convention on the Harmonized Commodity Description and Coding System (HS) in its tariff classification. The national tariff book specifies the rate of duties and taxes applicable to each imported good. The tariff book has two structures: a) First-Schedule and Second-Schedule tariff rates, and b) the COMESA[1] tariff rate. The two schedules allow the importer to apply different customs duty rates for the same imported good depending on the intended purpose of importation. On the other hand, the COMESA tariff rate is a preferential tariff applicable to goods originating from COMESA member countries.

The Ethiopian government levies five (you say five here) kinds of taxes on imported goods unless they are exempt by law. These taxes are assigned priority levels and calculated in sequential order. The five taxes in their consecutive order are customs duty, excise tax, VAT, surtax, and withholding tax. The customs duty has six different rates (0%, 5%, 10%, 20%, 30%, and 35%) applicable based on the types of goods imported. With these rates, Ethiopia's average duty rate on imports stands at approximately 17 percent. Duty rates on First-Schedule goods (raw materials, semi-finished goods, producer goods, and items imported for public use) range from 0% to 10%. For the Second-Schedule goods (consumer or finished goods imported for personal use or a non-productive purpose), the rates range between 20% and 35%. The Ethiopian Customs Commission charges duty on goods imported into its customs territory at the rates specified by the customs tariff regulation. Please refer to annex 1 for details on applicable duties and taxes levied on imported goods.

The Revised Tariffs on Agr**icultural Goods**

USDA/FAS Addis Ababa office analyzed the revised customs tariffs with a particular focus on agricultural and related goods. The analysis covers 1,110 products by HS code. Out of these, the tariff revision has brought tariff cuts for 525 agricultural products. On top of that, the tariff revision imposes a tariff increase on 522 products. Furthermore, the tariff rates remain unchanged for 63 products. For products with increased tariffs, the revised customs duty rate shows an average rise of 6.02 percent. While for products with tariff cuts, the import duty rate indicates an average reduction of 9.31 percent. Hence, the net effect of the tariff amendment on agricultural and related goods included in the above analysis reveals a tariff reduction of 1.67 percent.

[1] COMESA stands for Common Market for Eastern and Southern Africa. It is one of the largest regional trading blocs in Africa covering 21 countries as members and a combined market of 583 million people.

Further analysis shows that the revised customs tariff book entirely removed import duties on some agricultural goods such as live animals, planting seeds, cotton lint, and sugar and sugar confectioneries. However, the tariff adjustment imposed a tariff rate increase on meat and edible meat offal, some fish products, processed fruits and vegetables, and dairy products like butter, cheese, and yogurt. However, the revision brought tariff reductions for edible vegetables, animal or vegetable fats, and oils. Furthermore, the revised customs tariff book kept the tariff rates unchanged for a few products such as cereals, beverages, spirits, and vinegar.

As mentioned, the import duty rate for live animals and planting seeds now stands at zero -- the rate was at five percent before the revision. Likewise, the customs duty for cotton lint stands at zero, which was 10 percent previously. For meat and edible meat offal, the tariff rate increased to 35 percent from 30 percent. Similarly, for some dairy products such as butter, cheese, and yogurt, the customs tariff rate raised to 35 percent from 30 percent. While for other dairy products like powder milk, the import duty rate shows significant reductions from 20 percent to five percent. The import duties on wheat, rye, barley, oats, corn, rice, and sorghum remain unaltered at five percent.

Way Forward

Post expects the latest revision of the customs tariff book, in tandem with other trade measures and trade policy reforms, will positively accelerate Ethiopia’s integration into the regional and global trading system. Most importantly, it will pave the way for the much-awaited accession of Ethiopia into the WTO. Furthermore, the revised tariff will have meaningful contributions to enhancing other multilateral and bilateral free trade agreements.

Annex 1: Summary of Duties and Taxes Levied on Imported Goods

Duty/Tax Category	Rate	Description
Customs Duty	0% to 35%	Customs duty is computed as a percentage of the CIF value. This is the sum of the transaction value (cost of goods), transport charges paid to transport the goods from the original port of loading to the port of entry in Ethiopia, transport insurance paid and other charges such as loading and unloading charges, port charges, etc.
Excise Tax	10% to 100%	This is charged on selective goods such as luxury goods, basic goods demand for which is hardly affected by price changes, and goods that are hazardous to health, etc. The excise tax is computed based on the CIF value plus the amount of the customs duty payable.
Value Added Tax (VAT)	15%	VAT is levied at a flat percentage rate of 15 percent on the sum of CIF value, customs duty, and excise tax. Some types of supplies of goods, services and imports are exempted from payment of VAT.
Surtax	10%	Surtax is levied on all goods imported to Ethiopia with some exceptions, such as fertilizers, petroleum, and lubricants, etc. The amount payable is calculated on the sum of CIF value, customs duty, excise tax, and VAT.
Withholding Tax	3%	This tax is collected on goods imported for commercial use, at a level of three percent of the CIF value. The collected amount is creditable against the taxpayer's income tax liability for the year. Thus, it is not a tax in itself, but rather a (partial) guarantee of the payment of income taxes.

Source: Ethiopia Customs Guide

Please see below attachement for details on the revised import duty by HS code.

Attachments:

Ethiopia's Import Duty Rate for Agriculture and Related Goods By HS Code.pdf