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

Voluntary _ Public

Ethiopia

Post: Addis Ababa

Ethiopia's Taxes on Imported Food and Ag Commodities

Report Categories:

Agricultural Situation

Trade Policy Monitoring

Approved By:

Michael G. Francom, Ag Counselor

Prepared By:

Abu Tefera

Report Highlights:

Ethiopia charges up to five separate taxes on imported goods. This report summarizes how these taxes are applied and calculated for imported food and agricultural commodities.

Ethiopia's Taxes on Imported Food & Ag Commodities:
Commercial imports of agricultural products are subject up to five separate import taxes, which are collected by the Ethiopian Revenues and Customs Authority (ERCA).[1] These taxes are charged in a compounding, sequential order as follows: customs duty, excise tax, value added tax, surtax and withholding tax (not compounding).   All taxes are payable at the time of import.

The customs duty has six different rates depending on the type of product. These rates are 0, 5, 10, 20, 30, and 35 percent. The calculation of the total customs duty is based on the CIF (Cost + insurance + freight) value of the imported good.   In general, the duty for personal use items, which includes most agricultural commodities, is going to be higher than a good that is an input for manufacturing or for public use. Lower customs duties are applied where preferential trade agreements exist, like is the case for COMESA members.

The excise tax is for luxury items and demand inelastic products.   The tax is product dependent and ranges between 10 to 100 percent. Select agricultural products, considered to be a luxury item, are subject to the excise tax are: sugar (33%), soft drinks (30%), whiskey (50%), beer (50%), wine (50%), and salt (30%).

The value added tax (VAT) is a flat 15 percent tax on all imports, unless otherwise exempted. Exemptions include certain imported agricultural products, including wheat, rice, barley, soybeans, palm oil, and certain planting seeds.

The surtax is a flat tax of 10 percent on all imports, unless otherwise exempted. Exemptions include products like wheat, maize, and palm oil. One of the purposes of this tax is to generate revenues to help subsidize grain prices in order to keep inflation down.

The withholding tax is a flat tax of 3 percent on the CIF value of all imports, unless otherwise exempted. Exemptions include, but are not limited to products imported by diplomats, organizations with duty free status, and raw materials and capital goods for the power, mining and petroleum industries. The withholding tax is tantamount to an income tax which is used as a means of ensuring that companies importing products from abroad are paying their fair share of income taxes.   Specifically, the amount withheld is 'creditable against the taxpayers' income tax liability for the year.'

Calculating Import Taxes:
To assist traders in determining the applicable taxes, ERCA has developed an import tax calculator. The calculator requires entry of the following information: six or eight-digit HTS code, cost of the imported item, freight, and insurance, as well as any other cost.   The HTS code along with the associated import taxes can be found in ERCA's Harmonized Tariff Schedule.   Separately, ERCA also publishes monthly trade statistics.

Several illustrative examples using the calculator function for imported apples, whisky, wheat, cotton, soy and frozen chicken cuts follow below. To simplify these calculations, the value of the imported

---

[1] This report is based on a summary of an ERCA import tax guide.
www.erca.gov.et/images/Documents/Customs/Import_Export_Procedure/452.pdf

product was set at $10 with freight and insurance each at $1. The underlying calculations, as performed by the calculator, are described in greater detail in the second table below. Table 1, which follows the aforesaid calculations, contains the formulas for calculating these taxes. (Note: The calculator function is incorrectly applying the surtax before the VAT. The calculations below have been modified to show an accurate result.)

HTS 08081000 (Fresh Apples)		Duty	Excise	VAT	Surtax	With-holding	Total Tax
Total CIF Value = $12 (=10+1+1)	Tax Rate (%)	30	0	15	10	3	-
	Base Value	12	15.6	15.6	17.94	12	-
	Tax Calculated	3.6	0	2.34	1.79	0.36	8.09
Total Cost (CIF Value + Import Taxes) = 12 + 8.09 = 20.09							

HTS 22083000 (Whiskey)		Duty	Excise	VAT	Surtax	With-holding	Total Tax
Total CIF Value = $12 (=10+1+1)	Tax Rate (%)	35	50	15	10	3	-
	Base Value	12	16.2	24.3	27.95	12	-
	Tax Calculated	4.2	8.1	3.65	2.79	0.36	19.10
Total Cost (CIF Value + Import Taxes) = 12 + 19.10 = 31.10							

HTS 10011000 (Durum Wheat)		Duty	Excise	VAT	Surtax	With-holding	Total Tax
Total CIF Value = $12 (=10+1+1)	Tax Rate (%)	5	0	0	0	3	-
	Base Value	12	12.6	12.6	12.6	12	-
	Tax Calculated	0.6	0	0	0	0.36	0.96
Total Cost (CIF Value + Import Taxes) = 12 + 0.96 = 12.96							

HTS 52010000 (Cotton, not carded or combed)		Duty	Excise	VAT	Surtax	With-holding	Total Tax
Total CIF Value = $12 (=10+1+1)	Tax Rate (%)	10	0	15	10	3	-
	Base Value	12	13.2	13.2	15.18	12	-
	Tax	1.2	0	1.98	1.52	0.36	5.06

						With-holding	Total Tax
	Calculated						

Total Cost (CIF Value + Import Taxes) = 12+ 5.06 = 17.06

HTS 12010000 (Soya Beans)		Duty	Excise	VAT	Surtax	With-holding	Total Tax
Total CIF Value = $12 (=10+1+1)	Tax Rate (%)	5	0	0	10	3	-
	Base Value	12	12.6	12.6	12.6	12	-
	Tax Calculated	0.6	0	0	1.26	0.36	2.22

Total Cost (CIF Value + Import Taxes) = 12+ 2.22 = 14.22

HTS 02071400 (Frozen cuts and offal of chicken)		Duty	Excise	VAT	Surtax	With-holding	Total Tax
Total CIF Value = $12 (=10+1+1)	Tax Rate (%)	30	0	15	10	3	-
	Base Value	12	15.6	15.6	17.94	12	-
	Tax Calculated	3.6	0	2.34	1.79	0.36	8.09

Total Cost (CIF Value + Import Taxes) = 12+ 8.09 = 20.09

Table 1: Formula for Calculating Import Taxes
Total Cost of the goods (CIF) = FOB Cost + Insurance + Freight
Total Cost of the goods x Import Customs Duty = A
(Total Cost of the goods + A) x Excise Tax Rate (If applicable) = B
(Total Cost of the goods + A + B) x VAT = C
(Total Cost of the goods + A + B + C) x Surtax = D
Total Cost of the goods x Withholding Tax = E
TOTAL PAYABLE at THE TIME OF IMPORT = A+B+C+D+E

Source: Ethiopian Embassy in the United States