



በኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ
የጠቅላይ ሚኒስትር ጽሕፈት ቤት
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Federal Democratic Republic of Ethiopia
OFFICE OF THE PRIME MINISTER

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Summary of COVID 19 Economic Response Measures

Objectives of the government's recent measures:

- Enhance the government's effort to protect the health of the population
- Protect livelihoods and avoid layoff of employees
- Help low income communities from possible further crisis due to COVID related economic slowdown including housing and rental payments
- Encourage donations towards COVID response
- To ensure economic resilience and quick recovery
- Support businesses that are severely affected by the pandemic; Encourage service providers and manufacturers to continue their operation

Recent Measures taken: (Approved on 30 April 2020)

- 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. The taxpayers must pay 25% of the principal tax owed within 30 days and pay 75% of the principal within one year from the date on which installment agreement has been signed.
- Waiver of 30% rental tax for Education institutions and Micro and Small Enterprises by regional governments and city administrations. Waiver of rental income tax also includes taxpayers who own residential properties and have waived rent payments for their tenants, whose monthly rent does not exceed Birr10, 000.
- Waive four-month employment tax of workers who are required to stay home with their salary. This allows the government to share about 50% of employers wage cost of workers who are staying at home for two months.

- Extend the payment period for Value Added Tax (VAT) and Turnover Tax. The filing time of returns and payment of VAT and Turnover Tax for the months of March, April and May are extended until June 2020, without penalty and interest.
- Tax deduction for COVID related charitable donations; deduction raised from 10% to 20% of the taxable income for 2012 E.C fiscal year to thank donors and encourage more support.
- Loss carry forward: Loss incurred in 2020 fiscal year will be allowed to be carried forward to the next fiscal year even if the business has already carried forward two losses.
- The pension contribution of private organizations for the month of April, May and June has been deferred until to July 2020.
- Loan/Credit Support for Small and Micro Enterprises. The Development Bank of Ethiopia avails loan to solve the financial constraints of small and micro enterprises by opening a special window for quick disbursements. Credit will also be availed to Micro-Finance Institutions and cooperatives to support small-scale business and farmers and consumers cooperatives respectively.
- Support for manufacturers that export their products. Based on the assessment to be conducted by the Ethiopian Investment Commission, manufacturers who cannot export their products to the international market will be allowed to supply their products to local market for the coming two months.

Earlier Measures (March – April 2020)

- A Birr 5bn (around \$150 million) preliminary budget allocated for emergency expenditure
- Removal of import taxes on COVID-19 related items
- Faster value-added tax refunds for businesses
- Birr 21bn (around \$630 million) support for banks to address the expected liquidity shortage from expected lower deposits and loan collection, and to make available working capital for sectors impacted by the COVID-19 pandemic
- Priority access to foreign exchange importers and producers of COVID-19-related goods
- Raising of mobile money transfer limits
- Relaxing of the Central Bank's non-performing loan directive to allow banks to reschedule loan payments for highly affected sectors like horticulture, hotels, and tourism among others
- Removal of minimum price for export flower

Next Measures: Since the economic impacts of the Corona virus cannot be totally addressed with the measures outlined above, the government will continue to assess the situation and introduce measures as needed.