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NEW AMENDMENT TO THE EXPORT TRADE DUTY INCENTIVE SCHEMES PROCLAMATION NO. 768/2011 – PROCLAMATION NO. 1342/2024

INTRODUCTION

Proclamation No. 768/2011 introduced a range of duty incentive schemes to bolster Ethiopia's export trade. In response to evolving global market conditions, the Ethiopian government has issued Proclamation No. 1342/2024, introducing significant amendments to these schemes. These revisions provide export-oriented businesses with greater flexibility in the use of imported raw materials and the timing of their exports.

The updated Proclamation is crafted to help businesses better navigate the complexities of international trade, offering enhanced options in timing, usage, and compliance.

This document presents an overview of the major incentive schemes under Ethiopian export trade regulations and highlights the key amendments brought by the latest legislation.

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DUTY DRAWBACK SCHEME AND EXTENSION OF EXPORTATION PERIOD

Under Proclamation No. 768/2011, exporters were eligible for a refund of duties paid on imported raw materials used in the production of goods for export. This refund was issued once the goods were exported and the necessary documentation was submitted. However, the exportation had to be completed within a specified timeframe.

With the new amendment, exporters can now apply for an extension of the exportation period for goods produced from duty-free imported raw materials. The Ethiopian Customs Commission has been granted the authority to extend this period in cases where delays are caused by factors beyond the exporter’s control, such as disruptions in international markets or challenges in the supply chain.

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FLEXIBILITY IN THE USE OF RAW MATERIALS (VOUCHER SCHEME)

Under the previous incentive scheme, exporters were permitted to import raw materials duty-free using vouchers issued by the Ethiopian Revenue and Customs Authority. These materials had to be used within a specified period, typically one year, and failure to utilize them within this timeframe could result in penalties.

The new proclamation introduces an extension to the period within which imported raw materials must be used under the voucher scheme. The Ethiopian Customs Commission now has the authority to approve further extensions beyond the initial one-year limit if the exporter provides justified reasons. This amendment expected to reduces the risk of penalties for exporters and provides more flexibility in the use of imported raw materials for export production

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FLEXIBILITY IN BONDED WAREHOUSE SCHEME

Under the previous scheme, exporters could store imported raw materials in bonded warehouses without immediately paying duties. These duties were deferred until the materials were either used in production or exported as finished products, with a requirement that the materials be utilized within one year.

The new amendment provides increased flexibility by allowing extensions of the bonded warehouse scheme. Exporters can now retain raw materials in bonded warehouses for longer periods without incurring duties if production delays or market fluctuations necessitate such extensions. This change expected to help exporters better manage uncertainties in the global market while maintaining duty-free status on stored materials.

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ENHANCED BONDED EXPORT MANUFACTURING WAREHOUSE SCHEME

Under Proclamation 768/2011 exporters could import raw materials duty-free and store them in a bonded manufacturing warehouse, with the expectation that these materials would be used within one year for the production of export goods. Duties were deferred until the point of export.

With the new amendments, the manufacturing warehouse scheme has been enhanced to allow for extensions beyond the initial one-year period. This adjustment offers exporters greater flexibility and additional time to utilize duty-free materials in their production processes, accommodating potential delays and ensuring smoother operations in the export cycle.

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NEW PROVISIONS FOR RAW MATERIALS ON SUPPLIER'S CREDIT OR FRANCO-VALUTA

Previously, exporters were permitted to import raw materials on credit terms without the immediate payment of duties, provided they obtained government approval and demonstrated that the materials were essential for fulfilling specific export orders.

The new amendments introduce a new requirement that imports on supplier's credit or Franco-Valuta must now be supported by evidence of market demand, such as purchase orders or agreements with prospective buyers. This change ensures that the scheme is utilized effectively and aligns with genuine export needs, thereby minimizing risks and enhancing the efficiency of the process.

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DUTY-FREE RE-EXPORT OF NON-COMPLIANT GOODS

Under the previous incentive, exporters could re-export goods or raw materials that failed to meet quality standards or market demands, potentially avoiding duties on these re-exported items.

The new amendment enhances this provision by explicitly allowing the re-export of non-compliant raw materials or finished goods without incurring any duties. This adjustment provides a financial safeguard for exporters, enabling them to minimize losses when dealing with defective or unsellable products, thereby offering greater protection against market uncertainties.

For further assistance or clarification on how this amendment may impact your business, please do not hesitate to reach out at info@feyselandaasociates.com.

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