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BY- Daniel Fikadu | Attorney of Law

Daniel
Fikadu Law
Office

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1. Expansion of VAT Registration: Directive No. 1104/2025

The Ministry of Finance issued Directive No. 1104/2025, operationalizing the Value Added Tax Proclamation No. 1341/2024. This new directive significantly broadens the scope of VAT registration by lowering the threshold for compulsory registration and including more categories of taxpayers. Businesses with an annual turnover exceeding ETB 2,000,000 must register within 30 days of the directive's effective date. The reform aims to bring informal and small-scale enterprises into the tax net, enhance domestic revenue mobilization, and strengthen compliance with book-keeping and reporting obligations.

2. Citizens Budget for EFY 2018 (2025/26): Promoting Fiscal Transparency

The Citizens Budget launched by the Ministry of Finance is a simplified public version of Ethiopia's national budget. It explains key fiscal data, revenue composition, tax policies, and expenditure priorities in plain language. The purpose is to strengthen public engagement, budget literacy, and accountability. By making the national budget accessible to citizens, the MoF advances the constitutional principles of transparency and participation, ensuring that economic policies better reflect citizens' needs.

3. Strengthening the Audit Profession: AABE's Best Practice Directive

The Accounting and Auditing Board of Ethiopia (AABE) issued a directive mandating audit firms to adopt international standards on documentation (ISA 230, ISQM 1). It requires standardized templates, secure electronic documentation, staff training on audit quality, and proper recordkeeping and review procedures. This reform ensures better audit quality, accountability, and investor confidence, aligning Ethiopia's auditing standards with international norms.

4. Capital Market Governance: Establishment of a Specialized Administrative Court

A significant judicial reform was the establishment of a Specialized Administrative Court dedicated to resolving disputes arising within the capital market sector. Created under Proclamation No. 1248/2013 (Article 64), the court has the mandate to handle disputes between the Ethiopian Capital Market Authority (ECMA) and market participants, deliver decisions within three months, and enforce its rulings under the Federal Civil Procedure Code. This development enhances the legal infrastructure for Ethiopia's emerging capital market and ensures investor protection.

5. Extension for Publicly Held Entities: ECMA Compliance Flexibility

The Ethiopian Capital Market Authority (ECMA) extended the deadline for publicly held entities to submit key regulatory disclosures under Directive No. 1030/2024 to November 25, 2025. This includes shareholder details, securities

information, and offer documentation. The extension reflects a pragmatic approach to allow smoother compliance as the capital market infrastructure continues to evolve.

6. Monetary and Financial Developments: NBE and ESX Initiatives

The National Bank of Ethiopia (NBE) held its Fourth Monetary Policy Committee (MPC) meeting on September 25, 2025. The MPC maintained a tight monetary policy stance to control inflation while cautiously modernizing policy tools. The Ethiopian Securities Exchange (ESX) reported that the Interbank Money Market surpassed ETB 1 trillion in cumulative transactions since its launch in 2024, with 26 participating banks. The Ministry of Finance also released a Q4 Treasury Bill auction schedule, planning to raise ETB 243.05 billion through regular biweekly auctions.

7. Summary and Implications

September 2025 marked a period of profound institutional and legal evolution in Ethiopia's fiscal, financial, and regulatory landscape. The combined effect of these reforms points to strengthened fiscal governance, professionalization of financial reporting, legal certainty for investors, and progress toward a market-based financial system. Collectively, these developments signal Ethiopia's transition toward a rule-based economic governance framework, integrating global standards into domestic law.

References

- ❖ FDRE Ministry of Finance directives and press releases
- ❖ National Bank of Ethiopia – MPC Report (Sept. 2025)
- ❖ Accounting and Auditing Board of Ethiopia (AABE)
- ❖ Directives Ethiopian Capital Market Authority (ECMA)
- ❖ communications Ethiopian Securities Exchange (ESX) reports