



# COUNTRY GUIDE: ETHIOPIA

[global@zapeo.net](mailto:global@zapeo.net)

<https://zapeo.net/ethiopia/>



# TABLE OF CONTENTS

● About us	Page 1
● Work Permits/VISA	Page 2
● Employment contracts	Page 3
● Paid time off	Page 4
● Employee benefits	Page 5
● Tax	Page 6
● Payroll	Page 7
● Legislation and statutory bodies	Page 8

# ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record ( EOR ) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

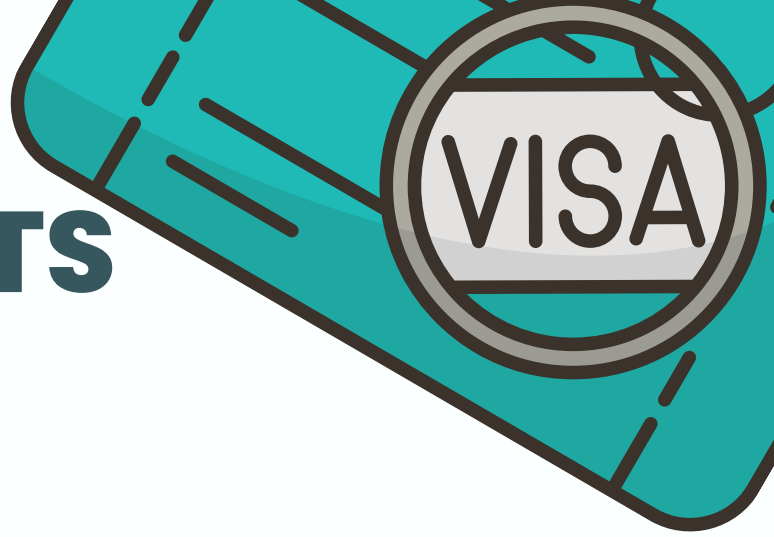
We also assist with onboarding and termination of both local or expatriate employees.

## BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



# WORK PERMITS AND VISAS



When transporting non-national workers to another country, you'll need to apply for the proper business visa on their behalf.

There are numerous types of business visas available in the country:

- **Employment visa for a foreign business firm:** For a period of up to one month in a non-nationally held corporation.
- **Non-nationals invited by a Non-Governmental Organization (NGO) may apply for an NGO work visa (NGO).**
- **Conference visa:** For attending a conference, seminar, or workshop in the nation.
- Non-nationals working for embassies or international organizations are eligible for an **international organizations/embassies work visa.**
- Non-nationals employed by the Ethiopian government are eligible for an **Ethiopian government employment visa.**
- Professional journalists, filmmakers, and photographers are eligible for a **journalist visa.**
- **Investment visa:** A visa for potential investors who have been invited by a firm.
- **Ethiopian private firm visa:** For employment with an Ethiopian-owned company for a limited period of time.

# EMPLOYMENT CONTRACTS



## **Probation period**

This phase should not go more than 45 days in any scenario.

## **Notice period**

A worker can cancel his or her employment contract by giving the employer 30 days' notice. An employer, on the other hand, may cancel a worker's employment contract by following the following procedure:

- One month for employees who have finished their probation and have worked for less than a year;
- Two months for employees who have worked for one to nine (1-9) years;
- Three months for employees who have worked for the company for more than nine years; and
- Two months for personnel who have completed their probation period but have had their job terminated owing to a workforce reduction.

The notice period for a fixed-term contract and a piece-work contract is determined by mutual agreement.

## **Minimum wage**

There is no national minimum wage in Ethiopia. Employees in the public sector, the biggest group of wage earners, got a monthly minimum salary of 420 birr; employees in the banking and insurance sector earned a monthly minimum wage of 336 birr.

## **Working hours and overtime**

In Ethiopia, the usual workweek is 48 hours. Overtime rates:

- 150 % of the normal hourly rate for overtime work from 6 a.m. to 10 p.m.;
- 175 % of the normal hourly rate for overtime work from 10 p.m. to 6 a.m.;
- 200 % of the normal hourly rate for work on a rest day; and
- 250 % of the normal hourly rate for work on a public holiday.

## **Termination**

Only the following grounds may cause a contract of employment to be terminated without notice: If any of the following events occur, an employer has the right to terminate a worker's employment without having to provide the employee a notice period (i.e. from one to three months period based on the workers service period).

## **Severance**

Severance compensation is 30 times the average daily income in the last week of service for the first year of service. For less than one year of service: Severance compensation must be computed according to the length of service. For service of more than one year: For each additional year of service, the payment is raised by one third of the stated sum, provided that the total amount does not exceed 12 months earnings. Bankruptcy and general workforce reduction: the worker is entitled to a stipend equal to 60 times his or her average daily wage for the previous week of service. Constructive dismissal: employee is entitled to compensation in addition to severance pay.

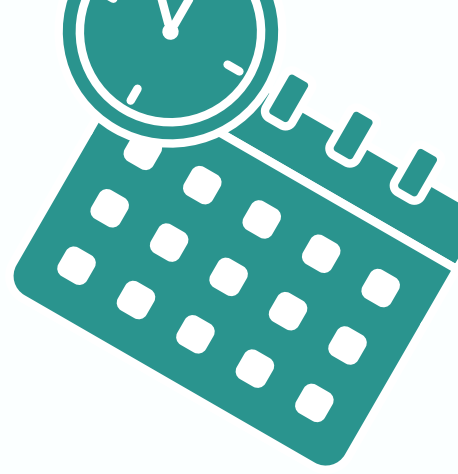
## **Non-compete clause**

In the employment agreement, employers may include a non-competition provision for a limited period of time.

## **Collective bargaining**

Collective bargaining is recognized in Ethiopia.

# PAID TIME OFF



## **Annual Vacation**

After one year of employment, employees are entitled to 16 days of paid annual leave, plus one day for every successive year of service.

## **Sick**

Sick leave is given to employees for a period of six months. Employees get paid 100% for the first month of their absence and 50% for the next two months. Any remaining sick leave is unpaid after that.

## **Maternity**

Female employees are entitled to 120 days of paid maternity leave, with 30 days taken before the projected due date and the remainder taken after the birth.

## **Paternity**

Employees who are fathers are entitled to three days of paid paternity leave.

## **Family**

There were no provisions in the legislation that supported parental leave for new parents who had exhausted their maternity leave.

## **National Holidays**

Ethiopia has a total of 13 public holidays which are paid.

## **Other Paid Time Off**

N/A

# EMPLOYEE BENEFITS



## Statutory

---

### Unemployment

Ethiopian labor regulations provide no provision for unemployment benefits.

### Workers compensation

Work injury benefits are also funded by the social security contributions.

### Social Security

7% of an employee's basic pay is paid. Up to 18% of stated income for self-employed people.

Employer contributes 11% of payroll; military and police personnel receive 25% of payroll.

### Retirement

Covered by Social Security.

### Health

Private option and is based on an employee voluntary basis to sign up or for the employer to offer it.

## Private

---

### Workers compensation

Private work accident insurance is available in Ethiopia.

### Retirement

Private retirement/pension funds are available as options in Ethiopia.

### Health

Private healthcare is available in Ethiopia.

### Life

There are private life insurance options available in Ethiopia.

# TAX



## Personal Income Tax ( PIT )

- **Tax year** : Tax year runs from 8th July to 7th July.
- **Tax rate** : Income tax rates range between 0-35%.
- **Tax method** : The Ethiopian Revenue and Customs Authority (ERCA) uses an assessment procedure to determine the income made by small informal sector businesses in order to administer its presumptive tax.
- **Tax residency requirements** : Residents are taxed on their international earnings. Non-residents are solely taxed on income derived from Ethiopia. If any of the following conditions present, an individual is considered to be a resident of Ethiopia:
  - He or she has an Ethiopian domicile and habitual habitation.
  - He or she is an Ethiopian citizen serving abroad as a consular, diplomatic, or equivalent officer of Ethiopia.
  - He or she is physically present in Ethiopia for more than 183 days in a 12-month period, either continuously or intermittently.

**Double taxation agreements ( DTA's )** : Ethiopia has multiple double taxation agreements.

## Investment Income Tax

- Capital gains tax – 15% on buildings used for business, factory, or office; 30% on stocks and bonds.
- Profits are deemed to be distributed. If a corporation has undistributed earnings that are not reinvested, a tax of 10% of the net undistributed profits must be paid.
- Profits repatriation by a non-resident corporation Profits repatriated out of Ethiopia by a non-resident corporation operating via a permanent establishment will be taxed at a rate of 10%. Individuals' rental income from buildings is taxed at progressive rates ranging from ten percent to 35%.

## Taxable Income

- Any payments or profits obtained in cash or in kind as a result of an individual's job are considered employment income. Employers must withhold tax from each payment to an employee and pay the amount withheld to the Tax Authority at the end of each calendar month. The technique requires that revenue from the months of Nehassie and Pagume be combined and handled as if it came from a single month.
- If the employer pays the tax on employment income in whole or in part, rather than deducting it from the employee's salary or compensation, the amount thus paid is added to the taxable income and is considered part of it.



# PAYROLL



## Payroll Elements

- **Income:** Salary, earnings, bonuses, overtime pay, taxable benefits, allowances, and certain lump sum perks are examples of remuneration (revenue from employment). Profits or losses made by a company or trade. Income or profits derived from an individual's status as a trust beneficiary.
- **Deductions:** Social security contributions as well as any other contributions an employee gave consent to.
- **Benefits in Kind:** Benefits in kind are often valued at their cost to the employer, as documented in the company's or the recipient's records. The following are some instances of in-kind benefits: performance prizes and bonuses, a corporate car, housing aid and vouchers for meals.
- **Employer contributions:** Workers compensation and social security.

## Payroll Taxes

Social security where the employees contribute 7% of their salary and the employers contribute 11%.

## Payroll Calendar

Wages are normally paid on the final working day of the month, according to the payroll cycle.

# LEGISLATION AND STATUTORY BODIES



## LEGISLATION

- Constitution of Ethiopia 1994 2.
- Labor Proclamation No. 1156/2019 7.
- Social Health Insurance Proclamation No.690/2010 8.

## STATUTORY BODIES

- The Ethiopian Revenue and Customs Authority (ERCA)
- Social Security Agency
- Ministry of Finance



Contact us today for further  
information or a **FREE**  
simulation.



LinkedIn



Simulation request



global@zapeo.net

---