



COUNTRY GUIDE ETHIOPIA

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

**DEPLOY
WITH ZAPEO
IN
3 EASY STEPS**

ENGAGE

You and your employee reach an agreement to work in a country.

EMPLOY

Your employee signs a co-employment agreement with ZAPEO.

ENROLL

Your employee is enrolled on the payroll with a country specific legal entity.



WORK PERMITS AND VISAS

When hiring expat workers, 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**.
- **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

When the parties agree to a probation term, it must be documented in writing. This phase should not go more than 60 days.

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 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.

Minimum wage

There is no national minimum wage in Ethiopia.

Working hours and overtime

In Ethiopia, the usual workweek is 48 hours.

Overtime rates:

- 150 % of the normal hourly rate for overtime work from 6am to 10pm;
- 175 % of the normal hourly rate for overtime work from 10 pm to 6 am;
- 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

An employment contract cannot be terminated without a valid reason. Valid reasons for termination include the end of the agreed employment period, completion of the designated task, employer insolvency etc.

Severance

Severance pay is 30 times the average daily income for the first year, adjusted for length of service, with a maximum of 12 months' earnings; in bankruptcy, it's 60 times the average daily wage, and constructive dismissal includes additional compensation.

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. The paid yearly vacation time for a worker with 5 years of service is 18 working days (one day extra for every two additional years 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

N/A

National Holidays

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

Other Paid Time Off

N/A



EMPLOYEE BENEFITS

Statutory

	Employee	Employer	Notes
Unemployment	-	-	There are no unemployment funds.
Workers Compensation	-	-	Covered by Social Security contributions.
Social Security	7%	11%	Calculated based on basic salary.
Retirement/Pension	-	-	Covered by Social Security contributions.
Health	-	-	Limited public healthcare system. Medical aid is a private option.

Private

	Notes
Workers compensation	Private workers compensation is available.
Retirement/Pension	Private pension schemes available.
Health	Private health insurance is available.
Life	Life insurance policies are also available.



TAX

Personal Income Tax (PIT)

- **Tax year** : Tax year runs from 8th July to 7th July.
- **Tax rate** : Tax rates range between 0- 35%.
- **Tax method** : The taxation method is a progressive tax system.
- **Tax residency requirements** : 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 10-35%.

Taxable Income

Residents are taxed on their international earnings. Non-residents are solely taxed on income derived from Ethiopia.

Any payments or profits obtained in cash or in kind as a result of an individual's job are considered employment income.

PAYROLL



Payroll Elements

- **Income:** Wages, salaries, fees, bonuses, and any other supplementary compensation, such as benefits in kind.
- **Deductions:** Some allowances/payments are exempt from income tax such as payments towards an employee's medical treatment costs.
- **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.
- **Employer contributions:** Social Security.

Payroll Taxes

Employers must withhold tax on payments made to employees for their employment services through the Pay-As-You-Earn (PAYE) system.

The withheld tax must be remitted to the Ministry of Revenue by the 30th day of the following month.

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
- Social Health Insurance Proclamation

STATUTORY BODIES

- The Ethiopian Revenue and Customs Authority (ERCA)

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further information or a
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