

Tax - Payroll Guide - Free shares / RSU

Ethiopia	
Tax points	<p>Grant: No income tax. No social security.</p> <p>Vesting: Income tax and social security.</p> <p>Transfer to participant: No income tax. No social security.</p> <p>Sale by participant: Capital gains tax on increase in value since vesting. No social security.</p>
Income tax (maximum rate)	35% (2024/25). Any change in tax rates usually takes effect from 8 July, but in 2025 a tax reform will delay the introduction of tax changes for the 2025/26 tax year.
Income tax rates	The maximum rate applies to income over ETB10,900 per month.
Employer income tax withholding	Yes
Employer social security withholding	<p>Yes</p> <p>Employee and employer social security.</p> <p>Employer must withhold the employee contribution.</p>
Employee social security	<p>Employee social security (max rate): 7%</p> <p>Employee social security (cap): no cap.</p>
Employer social security	<p>Employer social security (max rate): 11%</p> <p>Employer social security (cap): no cap.</p> <p>NB: Contributions by the employer to a pension fund in excess of 15% of the monthly employment income, are taxable.</p>
Tax reporting - Individual	<p>Individuals who receive employment income only, are not required to file personal income tax returns.</p> <p>Individuals who receive income which is not subject to withholding, are classified as follows:</p> <ul style="list-style-type: none"> • Category A: individuals whose annual turnover is above ETB1,000,000 must file tax returns and pay tax within four months after the end of the tax year; • Category B: individuals whose annual gross income is between ETB500,000 and ETB1,000,000 must file tax returns and pay tax within two months after the end of the tax year; • Category C: individuals whose annual gross income is below ETB500,000 must file tax returns and pay tax within one month after the end of the tax year.

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	<p>There is no specific filing in relation to equity related incentives.</p> <p>Report name: Personal income tax return. Tax returns must be filed online (here).</p> <p>Tax period: the Ethiopian budgetary year runs from 8 July to 7 July.</p> <p>Reporting deadline: the reporting deadline depends on the category of the taxpayer as set out above.</p>
Tax reporting - Employing company	<p>Yes</p> <p>The employer must report incentive related income but the filings are in relation to general employee benefits returns and are not specific to equity related incentives.</p> <p>Report name: Monthly withholding returns. Tax returns must be filed online here.</p> <p>Reporting deadline: Monthly returns must be filed within one calendar month from the taxable event.</p> <p>Payment of tax: PAYE taxes should be remitted to the Ministry of Revenue (MoR) on or before the 30th day of the month following the payroll month.</p>
Malus and clawback - Tax points	<p>The existence of a malus or clawback clause does not affect the moment of tax for the individual.</p>