



ON THIS EDITION

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Value-Added Tax on Vertical Integration

It has been nearly two years since vertical integration, direct market linkage between suppliers and exporters, has been implemented in the Ethiopian coffee market system. This system has helped to create direct linkage between coffee suppliers and exporters, bypassing the Ethiopian Commodity Exchange (ECX).

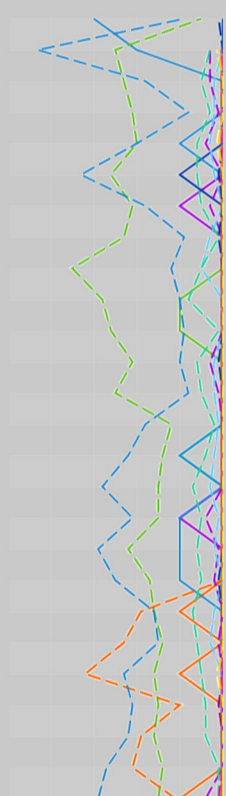
Welcomed by numerous stakeholders in the coffee industry, the vertical integration system has overtaken ECX in a shortage period of time and has become the modus operandi for coffee transaction.

A recent development in the coffee market is a letter dated January 3, 2023 by the Federal Ministry of Revenue to Regional Revenue Authorities explaining that coffee suppliers via vertical integration should add 15% VAT on their coffee sales to exporters. This instruction also allows exporters to request VAT refund within 30 days after the coffee has been exported.

Even though this law is not well-received by many stakeholders in the coffee sector, it clearly seems that the government is going ahead as planned to charge VAT on exportable coffee transactions made by vertical integration.

Furthermore, the government is drafting a bill to replace the 20 year-old VAT proclamation and released the first draft for comment in August of last year with hopes to be operational in the next fiscal year. The new proclamation, when operational, is expected to usher 15% VAT on previously exempted services such as ATM transactions, taxi-hailing, delivery, and telecom services.

Eight Months Performance Report



The Ethiopian Coffee and Tea Authority has now released the 2022/2023 fiscal year eight months report. According to the report, Ethiopia exported 141,535 metric tons of coffee and generated \$773.4 Million USD. Last year, within the same period, the total export volume was 183,155 metric tons and generated \$746.8 Million USD. When comparing this year's figure with that of last year, total sales volume has decreased by 41,620 tons, but the sales value increased by \$26.6 Million USD.

According to the report, Ethiopia exported its coffee to over 62 countries; largest buyers were Saudi Arabia, Germany, and U.S.A. with total sales volume of 32,122, 24,211 and 9,731 metric tons respectively.

The authority also stated that the quality of exportable coffees has increased considerably. For instance, during 2021/2022 fiscal year, over 70% of exported coffees were between Grade 1 and Grade 3. During the current fiscal year, it is expected that coffees ranging between Grade 1 and Grade 3 will be over 80% of total exported coffees.

At our company level, KANYA Coffee Export is experiencing a great year. We have been able to secure contracts with several buyers and increased our total sales volume when compared with our last year's performance.

Cancellation of Cup of Excellence

On the sad part, it is reported that the well anticipated Cup of Excellence (COE) has been cancelled for this year, according to the organizer – Alliance for Coffee Excellence.

The Ethiopian Cup of Excellence was initially made possible by the collaboration between Alliance for Coffee Excellence and the Ethiopian Coffee and Tea Authority, with funding from USAID.

The funding from USAID was cancelled in 2021, and it forced the Ethiopian Coffee and Tea Authority to cover the expenses related to the program. However, due to undisclosed reasons, the Ethiopian Coffee and Tea Authority cancelled the event that was scheduled for this year.

According to Alliance for Coffee Excellence, "it hopes to bring back the green coffee competition and auction program in the 2024 calendar year."

Our company believes that the COE is a great platform to showcase the quality of our coffees. We will certainly participate in the COE when it resumes its competition in 2024.

Sincerely,

Dagmawi Yimam, Managing Director

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