MONTHLY LEGAL UPDATE

TSA | TSEGAMLAK SOLOMON & ASSOCIATES

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IN THIS EDITION

Electronic Invoicing · Rational Medicine Use · Carbon Markets

Ethiopian Legal Intelligence

Keeping you informed. Keeping you ahead.

WHAT'S COVERED THIS MONTH

1	**Ministry of Revenues Directive No. 1142/2026** Electronic Invoicing System Administration Directive: the EIRS becomes the legal basis of invoice validity for all taxpayers required to keep books
2	**EFDA Directive No. 1138/2026** Rational Medicine Use Control Directive: binding prescribing, dispensing, compounding and antimicrobial stewardship standards for all health institutions
3	**Carbon Market Proclamation No. 1436/2026** Ethiopia's first economy-wide carbon market framework: carbon ownership settled, a single national gatekeeper and licensed market participants

EXECUTIVE SUMMARY: IF YOU READ NOTHING ELSE, READ THIS

ACTION NOW	Hospitals, health centres and specialty centres without an Antimicrobial Stewardship Committee are already in breach of Rational Medicine Use Control Directive No. 1138/2026 and should constitute one now. Taxpayers required to keep books should check that their sales registration systems are EIRS-compatible ahead of the phased rollout under Directive No. 1142/2026, and businesses in the 26 offline-mandatory sectors should confirm that their systems meet the offline resiliency specification.
MONITOR	The Ministry of Revenues' rollout schedule for mandatory EIRS adoption, expected to start with larger taxpayers; the move of the Ethiopia National Carbon Registry from its temporary recording system to full operation under Proclamation No. 1436/2026; and the Environmental Protection Authority's licensing criteria for carbon market participants.
OPPORTUNITY	Proclamation No. 1436/2026 creates Ethiopia's first licensing pathway for Validation and Verification Bodies, Carbon Market Intermediaries, Carbon Aggregators and Carbon Asset Managers. Directive No. 1142/2026 opens a government-endorsed market for accredited sales registration system suppliers and SaaS providers that can meet the INSA clearance and performance guarantee requirements.
NOTE	Suppliers and SaaS providers face tiered performance guarantees of USD 15,000 to USD 250,000 under Directive No. 1142/2026, a material cost of entry. All three instruments replace or sit on top of a predecessor regime (Directive No. 149/2018, Directive No. 346/2013 and Forest Carbon Trading Directive No. 1122/2025), so guidance and templates tied to the old regimes should be re-checked rather than relied on as they stand.

COMPLIANCE DEADLINE CALENDAR

Effective now	An Antimicrobial Stewardship Committee with a documented mandate must be in place; institutions without one are already in breach. Affected: hospitals, health centres and specialty centres.
Ongoing, phased rollout	Confirm the EIRS compatibility of sales registration systems and track the Ministry's rollout schedule (larger taxpayers first). Affected: all taxpayers required to keep books.
Within 72 hours of reconnection	Offline-queued transactions and emergency paper invoices must be registered with the EIRS. Affected: the 26 offline-mandatory sectors.
Every two years	The INSA security clearance certificate and the performance guarantee must be renewed. Affected: sales registration system suppliers and SaaS providers.
Minimum two years	Prescriptions and related records must be retained, and kept until final resolution where legal or administrative proceedings are pending. Affected: health institutions.
Within the transitional period	Existing carbon mitigation activities and pending applications must be brought into line with Proclamation No. 1436/2026. Affected: carbon project developers and proponents.
Pending publication	EPA licensing criteria and application procedures for Validation and Verification Bodies, Intermediaries, Aggregators and Asset Managers. Affected: prospective carbon market service providers.

1 Ministry of Revenues Issues Electronic Invoicing System Administration Directive No. 1142/2026

Repeals Articles 8 and 23 of Directive No. 149/2018 | Issued June 2026

The Ministry of Revenues has issued Electronic Invoicing System Administration Directive No. 1142/2026 under the Federal Tax Administration Proclamation No. 983/2016. The Directive supersedes the paper-based and hardware-centred Electronic Fiscal Device (EFD) regime that has governed sales registration since the early 2010s, expressly repealing Articles 8 and 23 of the Tax Invoice Utilization and Administration Directive No. 149/2018. In its place, it establishes the Electronic Invoice Registration System (EIRS), a centrally deployed, cloud-integrated platform maintained by the Ministry, to which all sales registration systems must connect in real time.

The reform does not stand alone. It puts into operation a wider body of legislation built over the past two years, including VAT Proclamation No. 1341/2024, VAT Regulation No. 570/2025 and Income Tax Amendment Proclamation No. 1395/2025, all of which assume a digitised and auditable invoicing system. It also advances the tax administration modernisation targets of the Homegrown Economic Reform Agenda, which identify an Integrated Tax Administration System and the digitisation of collection as structural priorities.

From EFDs to the EIRS

Ethiopia's use of electronic fiscal documentation dates to the early 2010s, when the then revenue authority introduced Electronic Sales Registration Machines, also known as Electronic Fiscal Devices: point-of-sale hardware that records and transmits transaction data to the tax administration. Academic evaluations found the programme effective in raising reported VAT revenue, with positive spillovers for corporate income tax compliance, even as taxpayers adjusted reported costs to dampen the net fiscal effect. Directive No. 149/2018 governed electronic invoices and sales register software under that hardware-centred framework. Its provisions on electronic invoicing, Articles 8 and 23, are the ones now expressly repealed, signalling a deliberate break towards a software-defined, cloud-integrated system administered centrally by the Ministry.

Scope and the EIRS Architecture

All taxpayers required to keep books of account must use an EIRS-compatible electronic sales registration system, and other taxpayers may opt in voluntarily. Under the Directive, an invoice is a "registered electronic invoice", and therefore valid for tax purposes, only once it has been transmitted to and registered by the EIRS and assigned an Invoice Registration Number (IRN) and QR code. A system that issues an invoice before or without EIRS confirmation breaches the Directive's core design. The regime also reaches four further categories of actors (sales registration system suppliers, SaaS service providers, e-commerce and digital marketplace operators, and taxpayers running bespoke in-house systems), each subject to its own licensing, staffing and financial guarantee obligations.

Licensing, Accreditation and Security

No sales registration system may be licensed or renewed without a valid software security clearance certificate from the Information Network Security Administration (INSA), which must be no more than one month old at each two-yearly renewal. This gives INSA an active gatekeeping role in the tax compliance system. Suppliers and service providers must also meet minimum degree-qualified staffing, maintain an organised support centre and post performance guarantees renewable every two years: a base of USD 30,000 for sales registration system suppliers, USD 50,000 for SaaS service providers, USD 25,000 for e-commerce and digital marketplace operators and USD 15,000 for bespoke in-house taxpayer systems, rising through a ten-level table to as much as USD 250,000 for the largest operators based on user volume and aggregate sales.

SaaS providers face further conditions: multi-tenant data isolation, data portability, and infrastructure located in Ethiopia to Tier III data centre standards. Once licensed, no modification may be deployed without prior notification to and approval from the Authority, and changes affecting security, tax calculation or invoice messaging must pass regression testing before release.

Offline Capability and Fallback Mechanisms

Twenty-six high-volume sectors listed in Annex Two, including retail food and beverage, transport, hospitality, health care and personal care services, must run offline-capable systems built to the Authority's Offline Resiliency Specification, queuing transactions and registering them with the EIRS within 72 hours of reconnection. Manual paper invoices bearing a QR code remain permissible only in narrowly defined emergencies, such as EIRS downtime, a supplier-confirmed fault unresolved within two hours or unavailability of the Authority's cloud fallback system, and must likewise be registered within 72 hours of restoration. Banks, telecommunications operators, securities markets and digital payment processors may seek authorisation to issue bulk consumer invoices without a real-time connection, subject to summary reporting and a special agreement with the Authority; business-to-business transactions in these sectors remain fully subject to real-time registration.

Enforcement and Liability

Taxpayers face administrative penalties and potential criminal liability under Proclamation No. 983/2016 for failing to register an issued invoice, altering invoice or sales register data without authorisation, discrepancies between EIRS records and buyer-facing invoices, or transferring an authorised in-house system to a third party. Suppliers and service providers risk forfeiture of their performance bond, together with civil and criminal liability, where a system defect or supplier failure causes a discrepancy between EIRS records and taxpayer data. A licence may also be revoked for failure to implement Authority-mandated modifications in time, a renewal lapse of more than three months, expiry or revocation of the INSA certificate, unresolved defects, unauthorised modifications or illegal sharing of transaction data. Because an invoice without a valid IRN and QR code is at heightened risk of disallowance as VAT input credit documentation, a buyer's own compliance position now depends partly on the invoicing compliance of its suppliers.

Opportunities and Compliance Costs

The compliance architecture is demanding, but it also creates a structured, government-endorsed software market that did not previously exist, giving technology companies a defined regulatory pathway to serve Ethiopian taxpayers with legal certainty. An invoice bearing an IRN and QR code, verified against the EIRS, carries a level of authenticity that paper invoices never could, which should reduce disputes over invoice validity and strengthen the evidential weight of commercial records. The costs are real: capital expenditure, staff training and ongoing subscriptions that may be material for small and medium enterprises, dependence on telecommunications infrastructure, and an audit environment changed by real-time visibility, since discrepancies between EIRS records and filed returns are now automatically detectable.

Taxpayers	Confirm whether your current sales registration system is EIRS-compatible and track the Authority's rollout schedule, which is expected to start with larger taxpayers. Build supplier EIRS compliance checks into VAT input credit due diligence.
Suppliers and SaaS Providers	Confirm the validity of your INSA certificate, budget for the tiered performance guarantee (USD 15,000 to USD 250,000) and, for SaaS models, plan for Tier III in-country hosting and data portability ahead of accreditation.
E-commerce and Offline Sectors	Check whether receipt architecture supports per-seller invoicing under individual taxpayer identification numbers. Businesses in the 26 offline-mandatory sectors should confirm that their system implements the offline resiliency specification before their compliance date.

TSA VIEW

The EIRS regime turns invoicing from a private administrative matter into a live compliance signal. Taxpayers should not wait for their sector to be scheduled: confirming the compatibility of vendor and in-house systems now, and building supplier EIRS checks into VAT input credit due diligence, will avoid disruption when the phased rollout reaches their category. Technology providers eyeing the new accredited supplier market should budget early for the INSA clearance and performance guarantee requirements.

2 EFDA Issues Rational Medicine Use Control Directive No. 1138/2026

Replaces Directive No. 346/2013 | Issued June 2026

The Ethiopian Food and Drug Authority (EFDA) has issued Rational Medicine Use Control Directive No. 1138/2026 under Article 71(2) of the Food and Medicine Administration Proclamation No. 1112/2019, repealing Directive No. 346/2013. The Directive sets binding standards for prescription, dispensing, compounding, antimicrobial stewardship and medicine information across all health institutions and health professionals in Ethiopia, with a limited exception for narcotic and psychotropic medicines, precursor chemicals and traditional medicines.

Background and Policy Rationale

Directive No. 1138/2026 replaces an instrument that governed medicine use for more than a decade and is EFDA's most substantial rewrite of medicine use rules in that period. It responds to familiar pressures across the health system: inconsistent prescribing, uneven documentation of dispensing and compounding, and no binding facility-level accountability for antimicrobial use at a time when antimicrobial resistance is a recognised and growing public health concern. By bringing prescribing, dispensing, compounding, antimicrobial stewardship and medicine information into a single binding instrument, the Directive turns rational medicine use from a matter of professional norms and internal hospital policy into enforceable regulatory obligations backed by EFDA's sanction powers.

Prescribing and Dispensing Standards

Prescriptions must contain the mandatory information set out in Annex 1, remain valid for 30 days (seven days for antimicrobials) and are limited to three medicines each. Generic names must be used unless a documented, compelling clinical reason supports brand-name prescribing; professionals who prescribe by brand without such justification are exposed to formal warnings under Article 24(7). Electronic prescriptions must carry serial numbers, restrict access to authorised professionals, remain unalterable once dispensed and be stored in a validated, interoperable and secure system with a backup, bringing prescribing practice closer to Ethiopia's wider digital health infrastructure.

Dispensing is restricted to licensed pharmacy professionals, requires a valid prescription except for EFDA-designated over-the-counter medicines, and must be accompanied by appropriate counselling and medicine information rather than the bare handover of a product.

Compounding and Antimicrobial Stewardship

Compounding is restricted to authorised facilities and licensed pharmacists operating under Good Compounding Practices, subject to the labelling requirements in Annex 4, with joint liability for the pharmacist and the facility for resulting harm. Hospitals, health centres and specialty centres must establish an Antimicrobial Stewardship Committee with a defined mandate; institutions without one are in breach from the Directive's effective date, regardless of prior practice. Antibiotics require diagnostic evidence before initiation, and facility medicine lists must maintain AWaRe categorisation, reflecting the Directive's aim of curbing undocumented and inappropriate antimicrobial use at the point of care.

Institutional and Professional Implications

Prescription formats and electronic prescribing systems must be brought into line with Annex 1 and the electronic prescribing standards in Article 6, which for many institutions means reconfiguring hospital information systems rather than updating a paper template. Health institutions must also establish or review internal systems for medicine safety monitoring, adverse drug reaction reporting and pharmacy ethics under Articles 17 and 22.

For individual professionals, the generic-name default is likely to be the most immediate change in practice, since brand-name prescribing without documented clinical justification is now a named ground for formal warning. The joint liability structure under Articles 10(8) and 16(6), which exposes both the responsible professional and the institution for harm caused by improper dispensing, erroneous transcription or non-compliant compounding, means that institutions can no longer treat individual clinical error solely as a matter of professional discipline; it is now also a question of direct institutional liability.

Record-Keeping and Enforcement

Used prescriptions and related records must be retained for at least two years, and records involved in legal or administrative proceedings must be preserved until final resolution. Non-compliance may lead to administrative sanctions ranging from written warnings and fines to suspension or revocation of professional licences and institutional certificates of competency, giving EFDA a graduated toolkit that reaches both individual practitioners and the institutions that employ them.

Health Institutions	Review and update prescription formats and electronic prescribing systems against Annex 1 and Article 6, and constitute an Antimicrobial Stewardship Committee with a documented mandate and reporting line if one is not already in place.
Professionals	Note the generic-name default and the documentation now required to justify brand-name prescribing, a named ground for formal warning under Article 24(7).
Legal and Compliance	Confirm that record retention meets the two-year minimum, with retention until final resolution where proceedings are pending, and review medicine safety monitoring and pharmacy ethics systems against Articles 17 and 22.

TSA VIEW

The Antimicrobial Stewardship Committee requirement has immediate effect, with no grace period, so hospitals, health centres and specialty centres without one are already exposed. Institutions should treat Directive No. 1138/2026 as a governance review rather than a clinical circular: prescription systems, record retention and the joint liability of professionals and institutions all warrant board-level attention before EFDA enforcement increases.

3 Ethiopia Enacts Carbon Market Proclamation No. 1436/2026

Ethiopia's first carbon market law | Enacted June 2026

Until recently, Ethiopia's regulation of carbon trading was fragmented. The Ministry of Agriculture had introduced a sector-specific framework through Forest Carbon Trading Directive No. 1122/2025, but that Directive applied only to forest carbon credits developed under the forestry regime and was issued under the Forest Development, Conservation and Utilization Proclamation.

Carbon Market Proclamation No. 1436/2026 replaces this piecemeal approach with Ethiopia's first economy-wide carbon market framework. Instead of regulating a single category of project, it sets common rules on ownership, approval, registration, transfers, institutional oversight and market participation for all mitigation activities, whatever the sector.

The Ownership Question, Settled

The most consequential provision is also the simplest: carbon rights are recognised as independent intangible property, distinct from land rights, mineral rights or any other interest in the project site. This resolves a question that has complicated Ethiopian carbon transactions for years, namely who has standing to sell a credit and what exactly a buyer acquires. With ownership defined and transferable by ordinary contract, carbon rights can be structured, financed and, if necessary, disputed like any other property interest, rather than reinvented project by project.

A Single Gatekeeper

The Proclamation centralises authority. It designates the Ministry of Planning and Development as Ethiopia's Designated National Authority (DNA), responsible for approving mitigation activities, authorising internationally transferred mitigation outcomes, maintaining the national registry and coordinating carbon market governance. The earlier Forest Carbon Trading Directive, by contrast, gives extensive operational and regulatory functions to the Ministry of Agriculture and the Ethiopian Forestry Development, including project registration, a forest carbon registry and coordination of jurisdictional forest carbon programmes.

Both instruments pursue similar objectives but allocate core regulatory powers to different institutions. Unless harmonised through implementing legislation or inter-agency coordination, this overlap may create uncertainty over approval pathways, registry administration and regulatory authority for forestry projects that also fall within the new Proclamation.

From Idea to Credit: A Staged Pipeline and a Registry

Projects now move through a defined sequence: a Mitigation Activity Idea Note (MAIN), a Mitigation Activity Design Document (MADD), technical review by the Inter-Sectoral Carbon Market Committee and final approval by the DNA, before implementation, monitoring, verification and credit issuance. Each step feeds into the Ethiopia National Carbon Registry, the central electronic system that records project data, credit ownership, issuance, transfers and retirement and, critically, prevents double counting. Until the Registry is fully built, a temporary digital recording system run by the DNA performs that function, so the integrity the market needs exists from the start.

Licensing the Intermediaries

The Proclamation regulates the market's intermediaries as well as project developers. Validation and Verification Bodies, Carbon Market Intermediaries, Carbon Aggregators and Carbon Asset Managers must obtain a licence from the Environmental Protection Authority and meet defined professional, technical, financial and operational standards before operating. Carbon market services thus join auditing and insurance intermediation as professions where market access depends on a licence. For entities already active in this space informally, this is the most immediate practical consequence of the new law.

Land, Communities and Safeguards

The Proclamation builds community protection into project eligibility. Project proponents must respect statutory and customary land rights, maintain accessible grievance mechanisms, avoid involuntary displacement and share benefits equitably with affected communities. These are conditions of doing business under the Proclamation, not aspirational guidance, so a project that scores well on carbon methodology but poorly on community engagement is not a compliant project.

Existing Projects and the Transition

Existing mitigation activities and pending applications remain recognised through a transitional period, during which proponents must bring their documentation, safeguards and reporting into line with the new framework. Developers in that position face a strategic choice: continue under their existing arrangements during the transition, or re-file early under the MAIN and MADD process to secure certainty sooner.

Towards Regulatory Harmonisation

The Proclamation consolidates climate market governance under a single legislative framework after carbon regulation had begun to develop through sector-specific instruments. The transition will not be seamless. The Forest Carbon Trading Directive still contains detailed provisions on project registration, ownership transfers, benefit sharing, registry administration and institutional responsibilities that overlap with the Proclamation: while the Proclamation centralises governance under the DNA, the Directive continues to empower the Ethiopian Forestry Development to register projects, maintain a registry and convey title to forest carbon credits. These parallel mandates may need clarification through regulations or amendments.

Nevertheless, by recognising carbon rights as independent intangible property, establishing a national approval framework, introducing a unified registry and regulating specialised service providers, Ethiopia has moved considerably closer to the legal certainty expected by international climate finance institutions and credit buyers. The next phase will depend less on legislation than on how effectively the implementing institutions reconcile the forestry framework with the national carbon market regime.

Deal Structuring	Confirm the ownership and transfer chain of any carbon rights you intend to acquire or generate, keep documentation consistent with their treatment as intangible property, and engage early with the DNA at the MAIN and MADD stages.
Market Intermediaries	Entities seeking to operate as validators, verifiers, intermediaries, aggregators or asset managers should prepare licensing applications against the Environmental Protection Authority's professional, technical and financial requirements.
Financiers and Buyers	Monitor the operation of the National Carbon Registry, since reliable central tracking of credit issuance and retirement will directly affect the bankability of Ethiopian carbon projects in international markets.

TSA VIEW

Proclamation No. 1436/2026 settles carbon ownership and gives the market a single national gatekeeper, but it sits on top of an existing sector-specific regime rather than replacing it outright. The unresolved overlap with the Forest Carbon Trading Directive, two institutions with parallel mandates over forestry projects, is the practical issue to watch. Developers with forest carbon projects under way should engage early with both the DNA and the Ethiopian Forestry Development, document their position under each instrument, and follow the implementing regulations that will need to reconcile the two frameworks.

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