NRA LAW OFFICE

HSP Law. Tax Hawaz, Shimeles & Partners

CRYPTOMINING IN ETHIOPIA

LEGAL OUTLOOK 2025



Foreword

Dear Readers, Clients, and Crypto Enthusiasts,

Ethiopia's crypto mining sector is growing__a frontier of opportunity amid a rapidly evolving regulatory landscape.

We are thrilled to present our Legal Outlook 2025 on Cryptomining in Ethiopia, which aims to highlight the evolving legal and regulatory landscape, offering insights to help you explore its complexities.

While cryptocurrency trading remains prohibited, mining is gaining momentum.

This unique regulatory environment calls for careful attention from businesses and investors alike. While this guide offers a general overview of the latest developments, trends, and legal environment shaping cryptocurrency market in Ethiopia, we encourage you to seek personalized legal advice to ensure compliance and mitigate risks in such evolving industry.

At our Office, we are committed to providing expert legal assistance for all your crypto mining needs —from incorporation and licensing to hosting agreements, Mergers & Acquisitions, and beyond.

We hope you find this guide insightful and useful as you shape your investment strategy for the year ahead. Should you need any assistance, please don't hesitate to reach out.

We look forward to assisting you in this exciting and evolving sector.

Best regards,

Nigussie Redae

Hawaz Merawi

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1 Introduction

2024 was quite a year for crypto mining in Ethiopia as the country experienced a significant influx of crypto mining operations, capturing the attention of industry observers as Ethiopia emerged as one of the fastest-growing Bitcoin mining destinations.

This rapid growth can be attributed to several key factors. Ethiopia's abundant renewable energy resources, combined with its low electricity costs, and a favorable government stance towards such operations have created an attractive environment for crypto mining in the country.

Notably, the government's strategy to encourage crypto mining operations stems from a strategic economic incentive. These companies are required to pay for electricity in foreign currency, offering a chance to generate foreign currency, as the country has been facing longstanding foreign currency needs.

As a result of these developments, reportedly, Ethiopia now accounts for approximately 2.5% of the global Bitcoin network's hash rate. With more foreign crypto mining companies expected to enter the market, Ethiopia's share of the global Bitcoin hash rate is likely to grow further in the years ahead.

2 Regulatory Framework

Ethiopia's stance to cryptocurrency has evolved through phases of skepticism and strategic adaptation. Like many other countries, Ethiopia is examining with the complexities of regulating cryptocurrencies amid rapidly shifting global trends.

In June 2022, the National Bank of Ethiopia (NBE) clarified its position by reaffirming that the Ethiopian Birr is the country's sole legal tender and that all financial transactions must be conducted in Birr unless explicitly authorized by the NBE. The Bank also issued a strong warning, stating that legal action would be taken against individuals and businesses using cryptocurrencies for transactions, citing concerns over money laundering and other illicit financial activities.

However, the Ethiopian government has taken a notably different approach toward crypto mining. Since 2022, both foreign and domestic companies have been granted licenses to engage in Bitcoin mining operations.

The oversight of crypto-related activities is shared among multiple regulatory bodies. The Information Network Security Agency (INSA) is s responsible for regulating cryptographic products and transactions under the Information Network Security Agency Reestablishment Proclamation No. 808/2013. Notably, in August 2022, just a month after the NBE clarified its ban on cryptocurrency transactions, INSA began registering individuals and entities involved in crypto-related activities, including mining and digital asset transfers. Additionally, INSA regulates the import and export of information and communication technology (ICT) equipment, including specialized mining hardware. The National Bank of Ethiopia (NBE) also plays a role in regulating crypto transactions, having imposed a ban on their use.

Other government institutions also play important roles in the Ethiopian crypto mining ecosystem. The Ethiopian Investment Commission (EIC) is responsible for licensing foreign investments in crypto mining, while Ethiopian Electric Power (EEP), the state-owned bulk power provider, supplies electricity to Bitcoin mining companies, while certain investors operating within industrial parks and special economic zones access power through the Ethiopian Electric Utility (EEU).

3 Licensing

As with other foreign investments, foreign investors must establish a local presence, either as a subsidiary or a branch, to engage in cryptocurrency mining in Ethiopia.

This process involves obtaining an investment permit and commercial registration certificate from the EIC, which categorizes crypto-mining activities under "data center and cloud services." In principle, a business license must also be obtained within two years from the date of issuance of an investment permit

Foreign investors are subject to a minimum working capital requirement of USD 200,000 for a single foreign investment or USD 150,000 when partnering with a local investor.

4 Incorporation Process

The licensing process for businesses wishing to engage in crypto mining in Ethiopia has undergone frequent changes. These adjustments have previously in the past included modifications to business licensing categories, requirements for executing a Power Purchase Agreement (PPA) with EEP, and the need for clearance from regulatory bodies such as INSA. The existing general processes for incorporating a foreign crypto mining company in Ethiopia are as follows:

#	Steps	Requirements
1	Application to the EIC	An application must be submitted to the Ethiopian Investment Commission (EIC), providing details about the proposed investment project, including the legal structure, projected investment expenses, funding sources, and other relevant information. Required documents may include notarized constitutive documents for any subsidiary to be established in Ethiopia, as well as notarized copies of the resolution from the board of directors or shareholders/subscribers of the foreign entity, as applicable.
2	Name reservation	Reserve a name by submitting three preferred options to the EIC.

3	Opening foreign currency account and capital deposit	Open a foreign currency account and deposit the minimum required capital. The EIC will issue a letter to the NBE to authorize the capital transfer in the company's name.
4	Office Lease Agreement	Secure office space and sign a lease agreement, which is a prerequisite for obtaining a Tax Identification Number (TIN).
5	TIN certificate	Obtain a TIN from the Ministry of Revenues after signing the office lease agreement.
6	Investment permit and commercial registration	Receive the investment permit and commercial registration certificate from the EIC, granting the company full legal status.
7	Business License	Obtain a business license within two years of receiving the investment permit to commence operations.

5 Electricity Supplies

Ethiopia currently has 5200 MW installed generation capacity, 90 percent of which is coming from hydropower. The Grand Ethiopian Renaissance Dam (GERD), the largest hydroelectric power plant in Africa, currently near completion, has already started contributing electricity to the national grid. The GERD is expected to have an installed capacity of 5,150 MW up on full completion.

The country is also investing in other renewable energy sources with planned energy generating capacity of 17,500 MW by the end of 2030.

The state-owned EEP, managing 22 power stations in the country, is the sole distributor of electricity in Ethiopia. With a relatively good access to electricity with affordable tariffs and positive government policy for crypto-mining companies, Ethiopia is currently becoming the crypto mining destination, nearly 40 bitcoin mining companies have already signed PPAs with EEP and many are also in the pipeline to enter.



6 Power Purchase Agreement and Electricity Rate

The current electricity rate offered by the EEP is USD 3.14 per KW. While EEP provides a standard PPA, terms could be partially negotiated with crypto mining companies.

PPAs typically have a duration of four years, with the possibility of extension upon mutual agreement. Trends indicate that energy charge rate is typically fixed for the first year and may be revised in subsequent years by EEP.

Electricity allocation is determined through discussions with EEP, with practices indicating that power is allocated to companies through continuous declarations, often distributed across multiple substations.

7 Land Acquisition

In Ethiopia, land is a public property, and both rural and urban lands are available to investors on a leasehold basis. However, as it stands now, for foreign investors engaged in bitcoin mining, the land required for crypto mining operations is provided by EEP as an "ancillary service" as a package under the PPA executed with EEP.

Under EEP's standard PPAs, "ancillary service" is defined to mean the provision of physical security and collocation space at EEP's substations for installing the bitcoin company's equipment. These services are subject to a separate fee based on meter square, in addition to the electricity charges paid to EEP.

8 Taxation

Despite the absence of specific guidelines on the taxation, tracking, and auditing of income generated from Bitcoin mining, the general rules under the Income Tax Proclamation No. 979/2016 provide that *"every form of economic benefit, including nonrecurring gains, in cash or kind, from whatever source derived and in whatever form paid, credited, or received"* is subject to income tax. Therefore, the scope of Ethiopia's income tax law extends to earnings from cryptocurrency mining, where miners receive Bitcoin or other digital assets as rewards for verifying transactions and securing blockchain networks.

Accordingly, businesses that are tax residents in Ethiopia or have a permanent establishment in the country and generate income through Bitcoin mining, or from the subsequent sale or exchange of mined Bitcoin, are subject to income tax. Bodies are subject to a flat business income tax rate of 30%, whereas individuals are taxed at a progressive rate.

Other taxes may also apply to crypto mining operations, depending on the circumstances. These include indirect and transaction-based taxes such as VAT, import and export duties (including Customs Duty, VAT, and Excise Tax on excisable items) except in the incentive period, and the social welfare levy. Additionally, direct taxes beyond business income tax, such as dividend tax and capital gains tax, would be applicable as appropriate. It is important for cryptocurrency mining businesses to maintain income, expense, and transaction documentation in accordance with the tax laws of the country. As cryptomining activities are anticipated to grow and evolve, Ethiopian tax authorities may introduce guidelines to further clarify the taxation of crypto-related activities, including mining.

9 Incentives

Foreign investors operating in selected business sectors, including cryptocurrency mining, may benefit from various tax and customs duty incentives. In Ethiopia, crypto mining companies obtain business license under the broader category of "data center and cloud services", making them eligible for specific tax incentives. Investors in this sector are eligible to an income tax holiday of

four years if they operate in Addis Ababa and its surrounding areas. However, those establishing operations in other areas are eligible for an extended tax holiday of five years.

Furthermore, new investors, as well as those expanding or upgrading existing investments, are entitled to duty-free importation of capital goods and construction materials required for the establishment or expansion of their investments, except for the social welfare levy. If an investor purchases such capital goods or construction materials locally, import taxes and duties previously paid on these goods will be refunded.

In addition, investors are also eligible to duty-free importation of spare parts, provided that their total value does not exceed 15% of the value of the capital goods within a period of five years from the date of obtaining an investment permit or becoming eligible for such tax incentives.

10 Hosting

Hosting arrangements are a vital aspect of crypto mining operations, particularly for companies that depend on third-party facilities to host and operate their mining equipment. These arrangements involve collaboration between crypto mining operators and computing hardware owners, whether located in Ethiopia or abroad, formalized through hosting agreements that define the terms and conditions for infrastructure usage, operational management, and payment obligations. Ensuring that a hosting agreement adheres to local law requirements is essential for a legally compliant hosting arrangement.

11 Mergers and Acquisitions

Mergers and acquisitions are becoming an alternative market entry strategy or expanding market presence in Ethiopia’s growing crypto mining sector. These transactions offer opportunities for companies to scale their operations, acquire advanced mining technologies and strengthening their competitive position in the industry.

In Ethiopia, mergers and acquisitions involve several steps ranging from securing approvals from the tax authorities to trade competition regulators, among others. As part of mergers and

acquisitions, conducting a thorough due diligence is highly critical in the Ethiopian market to ensure financial health and regulatory compliance.

12 Legal & Policy Outlook

The long-term viability of crypto mining in Ethiopia seems to be largely dependent on the evolution of the country's energy policies and how the government prioritizes electricity allocation among industries. Ethiopia's energy future looks promising, with plans to expand power generation through hydropower, wind, solar, and geothermal sources under Public-Private Partnerships (PPPs) and Independent Power Producer (IPP) models. While this growth may create opportunities for industrial consumers like Bitcoin miners, electricity allocation remains uncertain due to competing priorities, such as rural electrification, where a significant portion of the population still lacks access to power.

A key driver for crypto mining in Ethiopia is the government's high and continuous need for foreign exchange. By selling electricity to miners, Ethiopia earns hard currency without the need for capital intensive infrastructure for electricity export.

As part of ongoing IMF-backed macroeconomic reforms, the IMF is advising the Ethiopian government to revise electricity tariffs to strengthen the financial position of the heavily indebted state-owned enterprises, Ethiopian Electric Power (EEP) and Ethiopian Electric Utility (EEU). This would alert crypto mining companies to anticipate potential tariff revisions going forward

Under the new National Bank of Ethiopia Proclamation No. 1359/2024, the use of cryptocurrency for payment transactions is explicitly prohibited. However, during parliamentary deliberations on the proclamation, the Governor of the NBE, signaled that this stance could change in the future as Ethiopia is keeping a close eye on global trends, including the possible introduction of regulations for cryptocurrency mining and transactions. Furthermore, at the African Financial Industry Summit, held in December 2024 in Casablanca, the Governor of the NBE indicated that the government is in discussions regarding the regulation of crypto-mining.

As a result, stakeholders should stay alert for potential regulatory changes, as new regulations governing crypto trading and mining could be introduced in the near future.

Amidst these potential evolving policies and regulations in Ethiopia, Ethiopia remains one of Africa's most promising destinations for crypto mining, with strong demand from foreign investors seeking to enter the market.

HOW WE CAN HELP

Our crypto mining lawyers advise clients on a wide range of matters, including:

- Business incorporation and licensing;
- Reviewing and negotiating power purchase agreements;
- Drafting and reviewing hosting agreements;
- Drafting and reviewing hardware procurement agreements for crypto mining rigs, servers, and infrastructure (including purchases, leases, and imports)
- Mergers & acquisitions, and joint ventures;
- Tax and customs matters related to mining operations;
- Intellectual property rights and technology transactions;
- Immigration matters, including processing work and residence permits;
- Structuring deals for the sale of mining assets, facility transfers, or ownership changes;
- Dispute resolutions.

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