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LEGAL UPDATE

Regulation No. 597/2026: Digital Content Taxation and the Expanded Tax Base, Part One

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1. Introduction

The Council of Ministers has issued Regulation No. 597/2026, further amending the Federal Income Tax Regulation No. 410/2017. The Regulation was published in the Federal Negarit Gazette on 28 October 2026 and is issued pursuant to Article 104 Sub-Article (1) of the Federal Income Tax Proclamation No. 979/2016. Its stated objectives are clarity, administrative efficiency, and alignment with the Proclamation.

The Regulation is not a technical tidy-up. It brings digital content creation within the tax net, clarifies the permanent establishment threshold, adjusts the rental income rules for Category "B" taxpayers, introduces a revised minimum alternative tax regime, and restructures the treatment of limited liability partnerships. This is the first of a three-part series. Part One examines the digital content taxation amendments and the expanded tax base. Part Two will examine the minimum alternative tax and business income rules. Part Three will examine compliance, withholding, and transitional matters.

2. Definition of Online Platforms Facilitating Payment for Digital Content Creators

The Regulation inserts a new definition in Article 2. An "online platform facilitating payment for digital content creators" means any website, application, electronic marketplace, social media service, live-streaming service, or other digital platform that enables a person to create, upload, publish, distribute, stream, promote, or otherwise deliver digital content to users, and which, in respect of the activity performed by the digital content creator, does any of the following: it executes payment or extends credit; it collects, receives, manages, or facilitates payment on behalf of the creator; or it determines, calculates, or reports earnings derived by the creator from advertising, membership fees, sponsorship, royalties, tips, bonuses, donations, commissions, sales, licensing, or any other form of digital content monetisation.

The definition is broad. It covers not only platforms that pay creators directly, but also platforms that facilitate payment or that determine and report earnings. The reference to tips, bonuses, donations, and non-monetary forms of monetisation means that the definition is not confined to conventional advertising revenue. For creators and platforms, the definition determines whether the platform is within the reporting obligations discussed below.

3. Taxation of Digital Content Creation

The Regulation adds new provisions on income from digital content creation. Such income is subject to tax under Schedule "C" as business income, or under Schedule "D" at the 15 percent rate applicable to other income, depending on the conditions in Article 22(1) of the Proclamation.

A creator who does not fulfil the conditions laid down in Article 55 of the Regulation pays 15 percent under Schedule "D". The provision applies to residents of Ethiopia who receive income from digital content creation. The Regulation is explicit that the fact that the platform account is opened outside Ethiopia, or that payment is received outside Ethiopia, does not relieve the resident creator from tax liability on the income received from digital content creation. This closes a gap that might otherwise have allowed creators to argue that offshore accounts or offshore payment arrangements removed the income from the Ethiopian tax base.

A person receiving income from digital content creation and subject to tax under Schedule "D" is required to register and obtain a taxpayer identification number in accordance with the Tax Administration Proclamation. The TIN requirement is therefore linked to the Schedule "D" route, and it operates alongside the record-keeping and reporting obligations described below.

4. Record-Keeping and Reporting Obligations

A digital content creator liable to business income tax must maintain proper and accurate books of records on income received, whether in cash or in kind, from domestic or foreign sources. The records must include statements obtained from digital service platforms indicating income derived from advertisements, sponsorships, subscriptions, and other sources; income derived from gifts made in digital form; agreements concluded with sponsors and advertisers for advertisements; bank statements showing cash receipts; goods or services received in lieu of cash and their estimated market value; and any other documents required by the Tax Authority.

The Regulation also imposes obligations on platforms. Any platform that facilitates payments for digital content creators must submit to the Tax Authority, on a quarterly basis, the list of names and addresses of digital content creators resident in Ethiopia, the amount of money paid to them, and any other information required by the Tax Authority. The information is to be compiled on the basis of the address from which the payment request originated, SIM card data, IP address, and other relevant information. For this purpose, a platform includes digital platforms, entities making payments for advertisements, and other similar organisations.

The Tax Authority is responsible for following up the activities of digital content creators, identifying their tax liabilities, and cooperating with local and international digital platforms to obtain information on income received by creators. The combination of creator-side record-keeping and platform-side reporting is the central enforcement mechanism of the new regime.

5. Taxable Gross Income and Quarterly Payment

A person with income from digital content creation that falls under Schedule "D" is liable to pay tax where the annual gross income exceeds Birr 50,000. Where the income derived

in a single year does not exceed Birr 50,000, the tax paid is credited against future tax liabilities or refunded. The Ministry may, by directive, adjust the monetary amount taking into account the purchasing power of money.

A person with income from digital content creation taxable under Schedule "D" must declare income and pay tax every quarter. The quarter commences on 7 July in every tax year, and the tax is payable within 30 days after the end of each quarter. The base for the tax payable in every quarter is the income received in that quarter. The quarterly regime differs from the annual regime applicable to business income under Schedule "C", and creators who fall under Schedule "D" should align their cash-flow planning accordingly.

6. What Part One Signals

For digital content creators, Part One of the Regulation signals that the tax treatment of digital income is now explicit. The choice between Schedule "C" and Schedule "D" depends on the conditions in Article 22(1) of the Proclamation, and creators who do not meet the Article 55 conditions pay 15 percent under Schedule "D". The TIN requirement, the record-keeping obligations, and the quarterly declaration and payment regime are operational requirements that should be addressed before the first quarter in which the income arises.

For platforms, the quarterly reporting obligation is a new compliance function. Platforms should review their payment flows, their data sources, and their capacity to identify resident creators and to report the amounts paid. The obligation to use address, SIM card data, IP address, and other relevant information indicates that the Authority expects platforms to use the data they already hold.

Part Two of this series will examine the minimum alternative tax and business income rules. Part Three will examine compliance, withholding, and transitional matters.

Disclaimer

This legal update is provided for general informational purposes only and does not constitute legal advice. The application of the Regulation may depend on the specific circumstances of a taxpayer, creator, platform, or transaction, and on directives to be issued by the Ministry of Finance and the Tax Authority. Professional legal and tax advice should be sought before relying on this update or taking any action.

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