

A New Era for Electronic Invoicing in Ethiopia: Legal Analysis of Directive No. 1142/2026



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July 2, 2026



10 min read

Ethiopia replaces its two-article e-invoicing framework with a 31-article clearance-based regime — introducing multi-track licensing, mandatory offline resilience, tiered vendor guarantees, and marketplace-specific rules.

REGULATORY MILESTONE AT A GLANCE

- **New Framework:** A freestanding, 31-article directive with two technical annexes replaces the previous two-article regime.
- **Clearance Model:** Every invoice must receive an IRN, RRN, and QR code from the Ministry's central system before it is legally valid.
- **Multi-Track Licensing:** Separate accreditation tracks for system suppliers, SaaS providers, marketplace operators, and exclusive-use developers.
- **Business Continuity:** Mandatory offline mode for 26 listed sectors, an Authority-run Cloud Sales Registration System, and manual QR invoices as a last resort.

1. Background and Legal Basis

The Directive is issued by the Ministry of Revenues under Article 19(4) of the Federal Tax Administration Proclamation No. 983/2016 and Article 27 of the Definition of Powers and Duties of the Executive Organs Proclamation No. 1263/2021. It repeals Articles 8 and 23 of the Tax Invoice Utilization and Administration Directive No. 149/2018, which previously contained the Ministry's

only rules on electronic invoicing. Those two articles are replaced by a self-contained, 31-article instrument with two annexes: a sample invoice template and a list of 26 business sectors for which offline resilience is mandatory.

The Directive should be read together with the Value Added Tax Proclamation No. 1341/2024, its implementing Regulation No. 570/2026 (which sets the minimum content of a tax invoice, referenced throughout the Directive), and the Federal Tax Administration Proclamation No. 983/2016, which supplies the administrative and criminal penalty framework applied to violations.

2. Key Improvements Over the Prior Regime

2.1 A Purpose-Built, Multi-Track Licensing Architecture

Rather than treating electronic invoicing as an incidental feature of general tax-invoice regulation, the Directive builds separate accreditation tracks for each category of market participant: sales registration system suppliers (Article 7), Software as a Service providers (Articles 5 and 14), e-commerce or digital marketplace operators (Article 6), and taxpayers developing software solely for their own use (Article 8). Each track carries its own qualifying criteria, so a bank building an in-house billing system is no longer regulated identically to a third-party POS vendor selling to thousands of retailers. This granularity is new — the 2018 framework made no such distinctions.

2.2 A Genuine "Clearance" Model

Article 4(1)(c) makes registration a precondition of validity: a system may only issue an invoice or receipt after transmitting the transaction to the Ministry's Electronic Invoice Registration System, receiving confirmation, and obtaining an Invoice Registration Number (IRN), a Receipt Registration Number (RRN) and a QR code. This is a substantive shift from a post-transaction reporting model toward a pre-clearance model — the same architecture used in India's GST e-invoicing system — and it materially increases the real-time visibility the Authority has over taxable transactions.

2.3 Financial and Human-Capital Accountability for Vendors

Article 14(6) introduces a sliding scale of bank or insurance-backed performance guarantees and minimum qualified-staff requirements, tied to the number of a supplier's user-taxpayers or their aggregate annual sales — from roughly USD 10,000 for a small supplier base up to USD 250,000 for the largest. Suppliers must self-monitor their tier and notify the Authority when they cross a threshold. This converts the Ministry's oversight of the software supply chain from a purely technical exercise into one with real financial exposure for underperformance — a mechanism entirely absent from Directive 149/2018.

2.4 Built-In Business Continuity

The prior regime had no articulated fallback for system outages. The new Directive layers three continuity mechanisms:

- Mandatory offline mode for taxpayers in 26 enumerated high-volume retail, hospitality, healthcare and transport sectors (Annex 2).
- An Authority-operated Cloud Sales Registration System available to new entrants, taxpayers whose primary system is suspended, or sectors lacking a compliant commercial solution.
- Manual, QR-coded paper invoices as a last resort, which must be reconciled into the electronic system within 72 hours of connectivity being restored.

This graduated approach reduces the risk that a technical failure halts lawful commerce altogether.

2.5 Marketplace-Specific Rules

Article 6 addresses a gap the 2018 rules never contemplated: multi-seller digital platforms. Each seller or service provider on a marketplace must be able to issue an invoice under its own Taxpayer Identification Number, name and address, even where several sellers are involved in a single checkout flow. The Authority may suspend individual marketplace users without disabling the platform itself.

2.6 Risk-Based Exemptions for High-Volume Real-Time Sectors

Article 20 allows banks, securities markets, digital payment processors and telecom operators — sectors that generate very high transaction volumes but are already subject to strong internal audit trails — to report invoice data in periodic summaries rather than transaction-by-transaction, provided B2B invoices used for input-tax purposes are still cleared individually. This proportionality feature was not present in the old framework and will be directly relevant to financial-institution and telecom clients.

2.7 Formalised Governance and Accreditation Process

Articles 9, 10 and 18 establish a Technical Team and an Accreditation Board, each with a defined two-year (renewable once) term, prescribed composition drawn from named directorates and regional revenue bureaus, and a two-thirds voting threshold for the Technical Team to certify that a system has passed testing. The Ministry may also delegate technical testing to an external institution. None of this institutional architecture existed under the repealed provisions.

2.8 Structured Correction and Liability Framework

Articles 25–28 formalise tax debit/credit notes, invoice cancellation (with a 48-hour Authority response window and mandatory digital notice to the buyer), and a bifurcated liability regime: taxpayers face administrative and potential criminal liability under Proclamation 983/2016 for tampering or non-registration, while suppliers face civil and criminal liability and forfeiture of their performance guarantee where a discrepancy is traced to a defect in their system.

3. Comparison with the Prior Ethiopian Framework

The table below summarises the principal structural differences between the repealed provisions of Directive No. 149/2018 and the new Directive.

FEATURE	PRIOR REGIME	DIRECTIVE NO. 1142/2026
Legislative form	Two articles (Art. 8 and 23) within a general tax invoice directive	Freestanding, 31-article directive with two technical annexes
Regulated actors	Taxpayers only; no distinct regime for vendors	Taxpayers, system suppliers, SaaS providers, e-commerce/marketplace operators, and exclusive-use developers, each separately licensed
Technical conformity standard	Not detailed in the directive itself	Prescriptive Art. 4 checklist: real-time transmission, IRN/QR issuance, RBAC, audit logging, INSA security clearance, geo-fencing for mobile POS
Business continuity	No offline framework	Mandatory offline resilience for listed sectors (Annex 2); Authority-run Cloud Sales Registration System as a fallback; manual QR invoices as last resort
Vendor accountability	Not addressed	Tiered performance guarantees (USD 10,000–250,000) and staffing minima scaled to user base; six-month exit notice; mandatory data-migration support
Marketplace / e-commerce	No specific rules	Dedicated licensing track; each seller on a platform must invoice under its own TIN; Authority can suspend individual marketplace users
Governance	Not specified	Two-year Technical Team and Accreditation Board with defined composition, quorum (two-thirds sign-off) and delegable testing function
Correction mechanism	Not addressed	Structured cancellation workflow with 48-hour Authority response window and mandatory buyer notification

4. Practical Implications for Businesses

KEY COMPLIANCE ACTIONS

- ▶ **System Re-Certification:** All taxpayers required to maintain books of account should confirm that their existing POS/ERP integration will need re-certification against the Article 4 criteria, even if previously approved under Directive 149/2018.
- ▶ **In-House Software Assessment:** Businesses using bespoke, in-house billing software should assess whether they fall within the narrower "exclusive-use" licensing track (Article 8), which carries its own governance, audit-readiness and guarantee conditions.
- ▶ **Vendor Pricing & Contracts:** Software vendors and SaaS providers should model their likely guarantee tier and staffing obligations under Article 14(6) before pricing new customer contracts, and embed the six-month exit-notice and data-migration obligations (Article 17) into their service agreements.
- ▶ **Marketplace Readiness:** Marketplace operators should review seller onboarding flows to ensure each seller can issue an invoice bearing its own TIN, and confirm they can support Authority-initiated suspension of individual sellers.
- ▶ **Offline Continuity:** Retail, hospitality, healthcare, transport and fuel-sector clients (Annex 2) should verify their systems support the offline continuity specification before the compliance deadline, given the strict 72-hour reconciliation window.
- ▶ **Summary-Reporting Exemption:** Banks, payment processors, capital-markets participants and telecom operators should evaluate whether to apply for the Article 20 summary-reporting exemption, bearing in mind that B2B invoices remain subject to full clearance.

5. Conclusion

Directive No. 1142/2026 replaces two thinly worded articles with a comprehensive regulatory framework that brings Ethiopia's e-invoicing regime broadly into line with the clearance-based models operating in world markets. Its principal innovations — tiered vendor accountability, multi-track licensing, built-in continuity mechanisms and marketplace-specific rules — go beyond simple digitisation and represent a genuine modernisation of tax administration infrastructure.

Businesses and software vendors operating in Ethiopia should treat the transition period referenced in Article 29 as a compliance priority, particularly where existing systems were certified only under the now-repealed 2018 provisions.

Kiya and Associates Law Office has prepared this legal update as part of our commitment to providing timely and practical guidance on significant regulatory developments affecting businesses operating in Ethiopia. We remain prepared to assist multinational corporations, industrial park operators, financial institutions, and commercial enterprises in assessing the implications of the new requirements, reviewing transaction and operational structures, and ensuring effective compliance with the evolving legal framework. Our team stands ready to provide tailored legal support to help clients safely and strategically leverage these operational updates.