

New Municipal Tax on Accommodation Services of Hotels and Similar Establishments in Addis Ababa

👤 Kiya & Associates 📅 July 16, 2026 ⌚ 8 min read

A new 5% municipal tax now applies to room revenue at hotels, resorts, motels, guest houses, pensions, and lodges in Addis Ababa, on top of existing income and value-added taxes.

Introduction

On 19 June 2026, the Addis Ababa City Council issued Regulation No. 204/2026, formally cited as the "Imposing Municipal Tax on Accommodation Services of Hotels and Similar Service-Providing Establishments Regulation Number 204/2026." Published in the Addis Negari Gazeta (33rd Year, No. 114), the Regulation derives its authority from Article 14, Sub-Article (1)(e) of the Revised Charter of the Addis Ababa City Government Proclamation No. 361/2003. It introduces, for the first time at city level, a dedicated municipal tax on accommodation services rendered by hotels, resorts, lodges, motels, guest houses, and pensions within the city.

Rationale Behind the Regulation

The Council's preamble situates the measure within the broader growth of Addis Ababa as a tourist and business destination, noting that hotels and similar establishments hold real potential to generate revenue from visitors and observing that Addis Ababa has become a preferred tourist destination through the construction of standard infrastructure. Against that backdrop, the Council found it necessary to widen the city's revenue base, which has historically drawn a low proportion of its funding from this sector relative to its actual weight in the local economy.

The stated aims are to expand the tax base and improve the city's revenue generating capacity, strengthen the contribution of hotels to that revenue, reduce unfairness and ensure legality in assessment and collection, and move away from a system viewed as overly dependent on a narrow set of existing tax sources. The proceeds are intended to fund tourist attractions, recreational sites, and improved municipal infrastructure and services on a sustainable footing.

Scope of Application

The Regulation applies to hotels and similar service-providing establishments offering accommodation within the Addis Ababa city administration, a term defined broadly to capture hotels, resorts, motels, pensions, guest houses, and lodges, together with any establishment offering a comparable mix of lodging, meals, beverage, recreation, or meeting services. Hotels are further classified by grade, from five-star and above down to one-star and unrated establishments, per criteria issued by the relevant licensing authority.

What Is New: The Tax Itself

The centrepiece of the Regulation is a new municipal accommodation tax levied at a flat 5% (five percent) on the daily room price charged to a guest, calculated on the price before Value Added Tax. The taxable base is confined to the room charge alone: the price of food and the cost of any personal services rendered to the guest are expressly excluded.

Establishments required to maintain books of account must build this tax directly into their sales register or invoice when accommodation is provided. Establishments not required to maintain books instead pay a lump sum, applying the 5% tariff to 70% of the value of services provided. Every establishment must issue a legal invoice, and the revenue is recorded under municipal revenue tax code number 1719.

Registration and Ongoing Compliance

Registration follows an establishment's existing tax profile: commercial establishments register in person at the large and medium taxpayers' branch office where they already pay employment income, salary, and rental income tax, while individually owned establishments register at the branch office where they declare business profit tax. Each must also declare its number of rooms and daily price list on a prescribed form.

Beyond registration, establishments must keep a register of guest information for every stay, display the phrase "Accommodation Municipal Tax" on invoices and sales registers, and post room prices for guests. Category "A" taxpayers declare monthly, using a stamped and signed report, and must transfer collected tax within 30 days of the month of collection, by bank transfer or electronic payment. Category "B" taxpayers declare and transfer quarterly on the same basis.

Institutional Oversight

The Revenues Bureau has wide implementation powers, including raising awareness among providers, delegating hotels to collect the tax (revocable on closure or a change of service type), issuing directives, auditing declarations, investigating complaints, and demanding records for verification. The Tourism Commission plays a supporting role, sharing sector information, flagging category changes and new entrants, and notably requiring proof of up-to-date tax payment before license renewal, tying compliance directly to continued operation.

Complaints, Appeals, and Penalties

Guests may raise billing complaints with the Bureau by phone or in person. Providers submit complaints in writing to the complaint hearing committee within 21 working days of a tax decision; the committee must decide within 15 working days, with further appeal to the city's Tax Appeal Commission within 30 working days of that decision.

Non-compliance carries real cost: late declaration draws a penalty of 5% per month of the outstanding tax, capped at 50% of the amount due; delayed transfer of collected tax attracts interest at the prevailing commercial bank lending rate plus 15%; and concealing income or filing a fraudulent declaration exposes the establishment to criminal liability, with any other breach handled under the Tax Administration Proclamation No. 983/2016.

Effective Date

Regulation No. 204/2026 entered into force on 19 June 2026, the date of its issuance, and displaces any inconsistent prior regulation, directive, or customary practice of the city council on matters it now governs. The Bureau may issue further implementing directives as needed.

Key Takeaways

- A new 5% municipal tax now applies to room revenue at hotels, resorts, motels, guest houses, pensions, and lodges in Addis Ababa, on top of existing income and value-added taxes.
- The tax base is the pre-VAT room price only — food and personal services should be billed and tracked separately.
- Registration and declaration frequency (monthly for Category "A", quarterly for Category "B") follow an establishment's existing taxpayer category, and proof of payment is now a practical precondition for license renewal, with material penalties for late declaration, late transfer, or concealment.

Conclusion

Regulation No. 204/2026 is a deliberate step to capture a share of the revenue generated by the city's growing hospitality sector and channel it into tourism infrastructure and municipal services. Kiya & Associates Law Office is available to assist hospitality clients with registration, compliance review, and representation before the Revenues Bureau or Tax Appeal Commission.

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, hospitality investors, hotel operators, and commercial enterprises in assessing the implications of the new requirements, reviewing 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 navigate these regulatory changes.