



Eurofast



EGYPT TAX CARD

2017

TAX CARD 2017 – EGYPT

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I. INDIVIDUALS

1.1 Personal income tax

Resident individuals, as well as non-residents, are taxed on their income derived from sources in Egypt. Income is considered to be Egyptian-sourced in the following cases:

- Income for services performed within Egypt, including income from salaries and wages.
- Income paid by an Egypt-resident employer, even if the service is performed outside Egypt.
- Income generated from an Egyptian permanent establishment.
- Income from other business activities performed inside Egypt.

1.1.1 Residency

Residency is determined by considering the time spent by an individual in Egypt (present in Egypt for a period in excess of 183 days in a fiscal year) or if the individual has a permanent residency in Egypt (staying in Egypt for the majority of the year, having a place where he carries on his business or professional activities in Egypt etc.).

1.1.2 Tax rates

There are currently five income brackets defining the Egyptian progressive personal income tax system, with the first bracket up to EGP 6,500 being tax exempt.

Personal Income Tax Rates:

Income (EGP)	Tax rate
0 to 6,500	0%
6,501 to 30,000	10%
30,001 to 45,000	15%
45,001 to 200,000	20%
more than 200,000	22.5%

* Nonresident employees are subject to tax on Egyptian-sourced income at the 10 percent tax rate without any deductions.

1.1.3 Taxable income

Type of Income	Taxable Amount
Income received for work performed in Egypt but paid from a foreign source	100%
Income received for working for business entities (whether regular or irregular, contract-based or otherwise) regardless of whether the work has been performed in Egypt or outside the country, provided it has been paid by a source located in Egypt (including salaries, commissions and bonuses)	100%
Salaries and remunerations of non-shareholding chairpersons and board members in the public sector and in public business sector companies	100%
Dividends paid by partnerships located in Egypt	100%
Income from any other activity carried out in Egypt	100%
Rent income, licensing fees, and royalties paid by a person residing in Egypt or by a permanent establishment in Egypt	100%

1.1.4 Exempt Income

The following income types are exempted from tax for individuals:

Income received by employees in the form of profit share
Payment received for end of service. Such income may be subject to tax if it was received by international employees who will leave the country and join another branch
Medical and life insurance for employees and their family members (under conditions)
Income received from collective benefits

1.1.5 Deductible expenses

- Registration fees for starting a business activity.
- Life and health insurance.

1.1.6 Non Deductible Expenses

- Contributions paid by an employer to non-Egyptian pension funds.

1.2 Small enterprises

A wide range of professions are also taxed with personal income tax (such as plumbers, technicians, mechanics, hairdressers, doctors and lawyers). However, they enjoy a 3-year tax exemption.

1.3 Social security contribution

Employees must pay social insurance contribution to the social insurance authority; employers must deduct the amount of the social insurance from the employee's salaries and wages on a monthly basis within two weeks following the month in question.

Contribution type	Employer	Employee
EGP 1,240/month starting from 1/7/2016	26%	14%
EGP 2,430/month starting from 1/1/2017	24%	11%

All private sector companies in Egypt are required to provide free health care for their Egyptian employees either through the Medical Insurance Plan of the Ministry of Social Insurance or privately. They are also required to contribute to the Pension Insurance Fund of the Ministry of Social Affairs and Insurance.

II. CORPORATE TAXATION

2.1 Corporate Income Tax

Resident legal entities are subject to corporate tax on their profits derived worldwide. Non-resident companies are subject to tax only on their profits derived from Egypt.

Profits from industrial or commercial entities are determined based on the revenue resulting from industrial or commercial transactions.

2.1.1 Residency

A company is considered resident if it is incorporated under Egyptian Law or its management and control is exercised in Egypt such as 50% of director's are resident, board of directors or manager's meetings taking place in Egypt, etc.

2.1.2 Tax rates

Corporate income tax is applied with rates as follows:

Company type	%
Exploration and production of oil and gas companies	40.55 %
Other companies not exceeding income EGP 10 million	20%
Companies exceeding EGP 10 million	25%

2.1.3 Taxable Income

Tax shall apply to the profits of commercial and industrial activity, including:

Income type	% of profits subject to tax
All profit from transportation activities	100%
Profit of cultivation organisations, poultry farms and land reclamation profits	100%
Commercial or industrial profits from quarrying, mining and petroleum establishments' profits	100%
Any profits resulting from one or more transactions performed by brokers or agents on commission	100%
Commercial or industrial shops' leasing profit	100%
Profits from any commercial or industrial operation even if limited to one transaction	100%
Profits resulting from land parcelling (regardless of whether for sale or construction)	100%

2.1.4 Exempt Income

Income Type	% exempted
10-year exemption for new agriculture and re-cultivation companies	100%
Exemptions of income from securities' investment if such securities are registered with the Egyptian stock exchange	100%
10-year exemption for new fishing boats organisations, fish farming entities and poultry farming companies	100%

2.1.5 Deductible Expenses

Deductible expenses include those that are directly related to the commercial or industrial activity and must be supported by documents, except for those which are not customarily supported by documents.

Below are deductible costs and expenses:

Expense type	Deductible amount
Financial penalties as a result of contractual liability	100%
Interest for loans	100%
Donations to the government	100%
Expenses for the maintenance of the company, plant or properties	100%

Annual depreciation expenses	<p>Depreciation rate deductible for tax purposes are:</p> <ul style="list-style-type: none"> • Buildings: 5% • Intangible assets: 10% • Computers: 50% • Heavy machinery and equipment: 25% • Small machinery and equipment: 25% • Vehicles: 25% • Furniture: 25% • Other tangible assets: 25%
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2.1.6 Non- Deductible Expenses

Expense type	Amount
Financial penalties and fines	100%
Interests on loans and debts paid to tax-exempted entities	100%
Reserves	100%
Interest loans that exceed the double credit and discount rate that the central bank has declared after the tax period and at the beginning of the calendar year	100%

2.2 Withholding Taxes

Type	%
Dividends to residents or non-residents	Not subject to withholding tax
Interest paid to non-resident	20%
Interest paid over long-term loan (3 years)	Not subject to withholding tax
Royalties paid to non-resident	20%

2.3 Capital Gains Tax

Capital gains are considered as a part of the annual entity's profit and are taxed with the standard rate. Gains derived from securities listed on the Egyptian stock exchange are not subject to tax.

III. INDIRECT TAXATION

3.1 Value Added Tax

VAT will be applied to a broader range of goods and services, while a number of basic goods and services which affects the low-income earners will be exempt, in addition to other exemptions listed in the law.

One standard rate of 13% for the FY16-FY17 and 14% starting from the FY17-FY18 will be applied to all goods and services, except for machinery and equipment that will be subject to 5% (except for buses & passengers' cars that are subject to the standard rate). Some goods and services will also be subject to the Schedule Tax applied at different rates depending on the nature of the good or service.

3.1.1. VAT deduction treatments

- Registered businesses are entitled to deduct VAT incurred on goods and services acquired in relation to their taxable supplies.
- Registered businesses are not entitled to deduct input VAT related to their exempt supplies or related to their supplies of goods and services subject to Schedule Tax.

3.1.2. Goods and services subject to the Schedule Tax (in addition to VAT)

- Soda soft drinks
- Televisions (more than 32 inch), refrigerators (more than 16 feet) and deep Freezers
- Air conditioning and its independent units
- Cars with their different engines capacity
- Communication services through mobile networks

3.1.3. Goods and services subject to Schedule Tax only

- Tobacco, cigarettes, snuff and molasses
- Gasoline, kerosene, diesel fuel, diesel oil and fuel oil
- Manufactured potatoes
- Construction contracts
- Transportation among the provinces (bus-railway)
- Professional services and consulting

3.1.4. Goods and services exempt from VAT

- Tea, sugar, coffee, dairy products and all kinds of bread
- Agricultural products in their natural state except tobacco
- Manufactured fruits, vegetables other than potatoes and juices and their concentrates
- Beans, grains, salt and spices
- Medicines and effective materials used in its production
- Food that is manufactured and sold to the end consumer directly through non- touristic restaurants and shops
- Natural gas, butane gas (Albotjaz)
- Production, transfer or sale or distribution of electricity
- The sale & lease of space land, agricultural land & buildings and residential & non-residential units
- Providing mailbox banking services
- Banking transactions which are legally restricted to banks
- Non –banking financial services which works under the supervision of the Egyptian Financial Supervisory Authority
- Insurance and re-insurance services
- Education, training and scientific research services
- Health Services
- Ground internet services (exempt for one year)

3.2. Custom Duties

In regards to import of goods, six categories of tariffs exist in the Egyptian customs system:

Category	Import Duty
Raw materials and food items	2%
Capital goods	5%
Intermediate goods	12%
Non-durable consumer goods	22%
Semi-durable consumer goods	32%
Durable consumer goods	40%

Quotas are imposed by the EU on Egypt's exports of certain agricultural crops and by the EU, the U.S. and Turkey on Egypt's exports of cotton textiles and apparel.

3.3 Excise Duties

There are no excise duties applicable in Egypt.

IV. LOCAL & OTHER TAXES, FEES

4.1 Real Estate tax

All properties are subject to real estate tax; the tax amount is defined as 10% of the annual rental value after deducting 30% as to cover the residential costs for properties and 32% for nonresidential properties.

4.2 Transfer Tax

Generally, the transfer of immovable property is subject to a 2.5% tax.

4.3 Stamp Duty

Charged at different rates:

Category	%
Sale of securities, shares in Egyptian Stock Exchange	0.1% (both on the buyer&seller)
Commercial Advertisements	20%
Insurance premiums	1% to 10%

V. TAX CALENDAR

Activity	Deadline
Individual income tax declaration and payment of tax	March 31st
Declaration and payment of annual corporate income tax return	Before 30th of April with an option to request a 2-month extension
Value Added Tax return	VAT return should be submitted on monthly basis within two months from the end of each tax period, except for April return which should be submitted by June 15th.
Declaration of dividend distribution and payment of related withholding tax	After year-end closing general assembly meeting is held, approving financial statements and financial position and declaring distribution of dividends
Withholding tax – paid quarterly	15th of the month following end of quarter

VI. ADMINISTRATIVE PENALTIES

Activity	Penalty
Late submission or non-submission of tax returns or payments	Between EGP 2,000 and EGP 10,000



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